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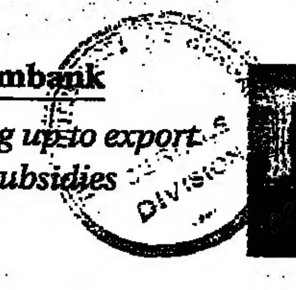

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FINANCIAL TIMES

Europe's Business Newspaper | THURSDAY NOVEMBER 12 1992 | D8523A

C and W sells 20% of Mercury to BCE of Canada

Cable and Wireless, the international telecoms group, has sold 20 per cent of its Mercury Communications subsidiary for £480m ($725m) to Canadian telecoms giant BCE. C and W will invest £30m in BCE's UK cable television interests.

The UK cable interests of Mercury and BCE are both rivals of British Telecommunications, and the partners hope the new "major alliance" will help their ability to compete with BT. Page 19; Lex, Page 18

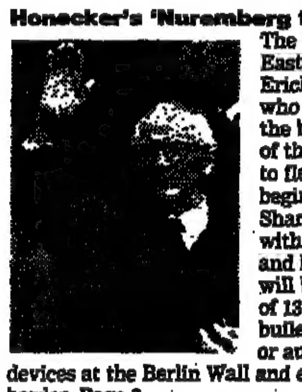
EC orders Gillette-Wilkinson split: The European Commission has given Gillette, US shaving products group, six months to shed financial interests in Wilkinson Sword and hand back Wilkinson's former businesses in several non-EC countries. Page 18

HSBC Holdings, parent of Hongkong and Shanghai Bank, sold 80m new shares to raise HK$5.12bn ($662m), principally to repay loans made by its banking subsidiary to other parts of the HSBC group. Page 19; Lex, Page 18

Aid for German shipbuilders: Germany plans to nearly double subsidies to its shipbuilders in spite of drastic efforts to curb spending and reduce state aid to industry. Page 2

US seeks to raise exports: The US will over the next five years aim to boost exports from 10 per cent to 15 per cent of GNP, a leap of $250bn at current prices, according to the retiring chairman of the Export-Import Bank. Page 5

Honecker's 'Nuremberg trial' begins:



The trial of former East German leader Erich Honecker (left), who is charged with the border killings of those attempting to flee the republic, begins today in Berlin. Sharing the courtroom with Mr Honecker and his fellow defendants will be the relatives of 13 men killed by bullets, land mines or automatic firing devices at the Berlin Wall and elsewhere on the border. Page 2

Klöckner-Werke, German plastics, steel and engineering group, is examining possible co-operation deals with "almost everyone" in the European steel industry, including Hoogovens of the Netherlands. Page 19

Olympia & York has warned creditors that failure to approve a debt-structuring plan later this month will probably lead to the company's bankruptcy and the forced liquidation of its assets. Page 19

UK committed to price stability: The Bank of England will do all it can to achieve price stability and "demolish the UK's image as a second-rate, inflation-prone economy," according to the Bank governor. Page 18

Hong Kong reforms backed: China was last night dealt a significant rebuff when Hong Kong's local legislature gave solid backing for governor Chris Patten's proposals to increase democratic representation in the colony. Page7

Clinton tough on ethics: President-elect Bill Clinton is expected to require administration officials to agree to tough ethical restrictions including curbs on lobbying after they leave office. Page 4

Taiwanese stock market reforms: Taiwan announced a long-awaited package of measures to rescue its ailing stock market in an attempt to lure back domestic and foreign investors. Page7

Chrysler, US vehicle maker, plans to invest $17.3bn between 1993 and 1997 in capital expenditure and new product development. Page 22

Insurers wary of IRA bombs: Insurers are expected to reduce coverage for terrorist damage on the British mainland after heavy losses from two IRA bombs in London in April. Page12

Irish job plans: Irish prime minister Albert Reynolds made a pre-election pledge of for an £800m ($1.2bn) jobs creation fund partly financed by the sale of government stakes holdings in companies. Page 2

Writer buried: Henri Alain-Fournier, author of romantic novel Le Grand Meaulnes, has been buried 78 years after his death in the first world war. Fournier, whose body was discovered a year ago, went missing in action when he was 28.

■ STOCK MARKET INDICES		
FT-SE 100	2,696.8	(–17.8)
Yield	4.47	
FT-SE Eurotrack 100	1,046.85	(–7.65)
FT-A All-Share	1,278.13	(–0.5%)
Nikkei	16,318.15	(–118.15)
New York:		
Dow Jones Ind Ave	3,240.3	(+14.86)
S&P Composite	422.20	(+3.58)
■ US RATES		
Federal Funds	closed	(2 7/8%)
3-mo Treas Bills: Yld	closed	(3.127%)
Long Bond	closed	(95 1/32)
Yield	closed	(7.664%)
■ LONDON MONEY		
3-mo Interbank	7 1/16%	(Same)
Liffe long gilt future	Dec 102	(Dec 102 1/4)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Dec)	$19.45	(19.575)
■ Gold		
New York Comex	$331.7	(329.7)
London	$332.15	(329.8)

■ STERLING		
New York:		
$	1.52585	(1.516)
London:		
$	1.526	(1.514)
DM	2.4175	(Same)
FFr	8.1725	(8.16)
SFr	2.1825	(2.175)
Y	189.25	(188.25)
£ Index	77.9	(Same)
■ DOLLAR		
New York:		
DM	1.58335	(1.5913)
FFr	5.3885	(5.3775)
SFr	1.4285	(1.4325)
Y	123.845	(124.15)
London:		
DM	1.585	(1.596)
FFr	5.355	(5.39)
SFr	1.4385	(1.436)
Y	124.8	(124.4)
$ Index	65.0	(65.3)
Tokyo close Y 123.88		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Peo45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es180	UAE	Dh10.00

UK arms to Iraq man was granted US immunity

By Alan Friedman in New York

MR Paul Henderson, the businessman at the centre of this week's uproar over the UK government's involvement in the sale of defence related equipment to Iraq, was secretly granted immunity from prosecution in the US by the Bush administration.

Immunity was granted in January 1991, despite the fact that the White House had, 14 months earlier, received a detailed Central Intelligence Agency report identifying Mr Henderson's UK machine tools company, Matrix Churchill, as part of an extensive Iraqi arms procurement network.

The CIA report, a copy of which has been obtained by the Financial Times, was sent on November 6 1989 to both the White House and the State Department.

The report pinpointed Matrix Churchill as part of Iraq's "complex procurement networks of holding companies in western Europe to acquire technology for its chemical, biological, nuclear and ballistic missile development programs."

The CIA report outlined how Iraq had used the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL) to finance the purchase of arms.

Entitled "Iraq-Italy: Repercussions of the BNL-Atlanta Scandal", the report described how Matrix Churchill was acquired in 1987 by a Baghdad-based network that controlled TMG Engineering of London, a company that had among its affiliates a partner of Space Research Corporation, the Brussels-based company controlled by the late Dr Gerald Bull, who worked on Iraq's "supergun" project.

Matrix Churchill was identified by the CIA as "the United Kingdom's leading producer of computer-controlled machine tools that can be used in the production of sophisticated armaments."

The immunity granted Mr Henderson concerned "violations, if any, arising from association with the Iraqi procurement network" run through Matrix Churchill's US and British operations as well as TMG and other companies.

According to a letter to Mr Henderson's Atlanta-based lawyer, the former Matrix Churchill chief obtained immunity from prosecution on January 22 1991.

In exchange for his being debriefed by US prosecutors and other investigators Mr Henderson would also be immune from prosecution in connection with the scheme by which Matrix Churchill obtained BNL-Atlanta financing for the procurement network.

Matrix Churchill, TMG, Space Research Corporation and other companies in the Iraqi network all received funds from BNL Atlanta.

Mr Kenneth Millwood, the Atlanta lawyer who represented Mr Henderson, said yesterday he negotiated the immunity deal with Ms Gale McKenzie, the chief

Continued on Page 18
Italy to reopen BNL case, Page 2
Matrix Churchill, Page 10
Spiking a smoking gun, Page 16
UK kept policy secret, Page 18

Optimism on trade as EC, US agree to fresh Gatt talks

By David Gardner in Brussels

THE European Community and US plan to resume talks early next week on their oilseeds dispute and the Uruguay Round farm chapter, in conditions both sides say could yield a deal.

Mr Ray MacSharry, the EC agriculture commissioner who has resumed his trade negotiations role after resigning last week amid a bitter Commission row over the line to pursue, was yesterday confident agreement could be reached.

"We are very, very close to finding a deal and the Commission and the Council [of EC member states] have given it much more pronounced support." Mr MacSharry said last night.

The US is also optimistic that progress can be made from the point negotiations were left last week after three days of abortive negotiations in Chicago, according to senior American officials.

Mr MacSharry is returning to the talks after a showdown meeting on Tuesday night with European Commission president Jacques Delors, whom he had accused of undermining his efforts.

US officials and farm groups welcomed the news of Mr MacSharry's reinstatement. After discussions with farm lobbyists, Mr Ed Madigan, the US agriculture secretary, concluded that Mr MacSharry had obtained the negotiating authority needed to get a deal done.

There was strong backing inside the Commission yesterday for Mr MacSharry, as well as relief that the internal confrontation – which some senior officials feel could have led to Mr Delors' resignation – had ended.

Mr Frans Andriessen, chief European Community negotiator, said he was confident the EC and the US would strike a broad deal to clear the way for a worldwide agreement under the General Agreement on Tariffs and Trade.

Mr John Major, the British prime minister, and German chancellor Helmut Kohl issued a joint public welcome to the resumption of talks, saying a rapid conclusion to the Gatt would help ward off an international recession.

At a news conference concluding the annual Anglo-German summit, in Oxfordshire, Mr Major said: "I have no doubt that a Gatt settlement is within our grasp."

In a similarly conciliatory mood, Mr Kohl dismissed as "ridiculous" suggestions that he had been urged by Mr Major to press France to agree to a resumption of the EC-US talks.

Mr Arthur Dunkel, director general of Gatt, was due in Brussels for talks with Mr Andriessen and Mr MacSharry today. He is set to travel to Washington this weekend to hold discussions with Mr Madigan and Ms Carla Hills, US trade representative. Mr Dunkel has been mandated by other Gatt signatories to put pressure on both sides to reach a deal.

Mr MacSharry could still face an uphill struggle when talks resume in securing the concessions he has already, but provisionally, extracted from Washington. Twice before, on October 12 and November 3, Mr Madigan pulled back from final agreement on nearly-done deals.

US officials yesterday described the parameters of an agreement as "some production level that makes some sense" in terms of reforming EC's production and "bringing it down to a non-intrusive level".

France, too, will be waiting to pounce on evidence that any deal is incompatible with reform of the Common Agriculture Policy. Since this is a matter of judgment about future farm output and prices, there is still scope for confrontation.

A week of manoeuvres, Page 5

Colin Beere

Jubilation in London yesterday after the Church of England's ruling body changed its rules to allow women to become priests. The decision is likely to lead to a bitter division within the church Page 11

Kohl and Major patch up quarrels

By David Marsh and Ivo Dawnay in London

GERMANY and Britain closed ranks on EC integration yesterday after a summit meeting succeeded in patching up recent quarrels between London and Bonn.

Mr Helmut Kohl, the German chancellor, declared his confidence that Britain would ratify the Maastricht treaty in the first half of 1993.

In contrast to President François Mitterrand of France, who on Monday criticised the British delay, Mr Kohl said he understood the UK's reasons for postponing the Maastricht passage in Parliament.

During a closing press conference with Mr John Major, Britain's prime minister, Mr Kohl repeatedly referred to "my friend John". Underlining that he "respected" the British view on Maastricht, he said: "If they need a bit more time, it's no reason to get excited."

Mr Kohl said he hoped that negotiations on EC enlargement to include members of the European Free Trade Association could start, on schedule, at the beginning of next year.

On the four-nation European Fighter Aircraft, which has been hit by rising costs and German opposition, Mr Kohl said he wanted "a common European solution" for the project's future.

British officials interpreted this as a sign that Germany will go ahead after all with EFA, although with a lighter, cheaper model. The "mood-music" of the Germans had improved substantially since earlier this year, one British official said.

Mr Major said he believed an agreement was possible on the basis of a recent report from the aerospace industry in the four

Continued on Page 18

West accused of failing to support Yeltsin's reforms

By Leyla Boulton in Moscow

A SENIOR western adviser to the Russian government yesterday accused the west of hypocrisy and indecision in failing to provide funds to stabilise the economy or a policy supporting President Boris Yeltsin's market reforms.

Addressing a Financial Times conference in Moscow, Prof Anders Aslund, director of the Stockholm Institute of East European Economics, warned the west that its refusal to back Russian economic reforms could lead to chaos similar to that which brought Hitler to power in Weimar Germany.

"The west is purportedly supporting President Yeltsin, democracy and a market economy in Russia, but it stopped supporting this country after it had ceased to be a communist, totalitarian, aggressive centrally planned economy," he said.

Having provided financing of just $8bn this year, the west revealed a "prejudice that Russia can only be ruled by a Stalin in the Kremlin", Prof Aslund told an audience of western and Russian businessmen at the conference, entitled "Doing Business in Russia".

To fend off the danger of hyperinflation which could "happen any day", he also called for an immediate tightening of monetary policy and accused Mr Viktor Gerashchenko, central bank chairman, of failing even to try to stabilise the rouble.

He also called for fresh elections and a new constitution to provide the legitimacy for painful reforms. He said the main danger to Russia was not extreme nationalists and Communists but the main opposition Civic Union which wants reforms slowed.

Mr Anatoly Chubais, deputy prime minister, admitted the government had been guilty of "too many unacceptable compromises" with advocates of a looser monetary and credit policy. He said the priority was to fight inflation.

Partly to make reforms irreversible, he would hold the first auctions in his mass privatisation programme before the Russian Congress of Peoples' Deputies tries to unseat the government on December 1. He urged foreign investors to buy up privatisation vouchers being distributed to the population to take part in the sale of medium and large-scale enterprises.

Mr Gerashchenko, who also spoke at the conference, rejected attacks on his policy of supporting Russian enterprises with central bank credits: the country had no alternative source of financing. He announced that central bank credit to enterprises and the government was likely to be about Rbs4,000bn this year.

He agreed there was a need to tighten monetary and credit policy but said this should be combined with a selective industrial policy to stimulate production of food and consumer goods.

Mr Grigory Yavlinsky, prominent economist and former Soviet deputy prime minister, suggested it was unfair to blame the failure of the government's financial stabilisation policy entirely on the central bank.

Calling for a banking union which he had tried and failed to build before the Soviet Union's collapse, he said financial stabilisation had been doomed in the absence of co-ordinated economic policies among Soviet republics which use the rouble.

Demonstrating the increasing assertiveness of Russia's regions, Mr Yuri Shafranik, governor of the oil and gas producing region of Tyumen, urged foreigners to do business directly at local level rather than look to Moscow.

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Germany to boost aid for shipbuilders

By Quentin Peel in Bonn and Andrew Hill in Brussels

GERMANY'S governing coalition parties yesterday agreed on sharply increased subsidies for the country's shipbuilders, in spite of drastic efforts to curb next year's spending and reduce state aids to industry.

The move, which would virtually double the amount spent on directly subsidising orders, from DM67m (£27.6m) to DM126.4m next year, coincided with a new report highlighting the failure of the government to cut subsidies to industry, agriculture and mining in the past decade.

The report by the DIW economics research institute in Berlin shows the combined total of state aids and tax allowances to enterprises in west Germany rose from DM61bn in 1980 to DM88.4bn in 1991, with a slight reduction expected this year to DM86.4bn.

Chancellor Helmut Kohl came to office with the "urgent aim" of curbing state aids, the report says. "Its implementation ran into considerable resistance. Hardly any concrete savings were achieved."

In spite of the dramatic increase in demands for subsidies to eastern Germany, and the ever more urgent need to reduce subsidies in the west, "there is still no concept for a systematic dismantling of subsidies," it says.

In 1990, the per capita level of subsidies in the coal industry reached DM52,753, in aerospace DM22,383, on the railways DM35,344, and in shipbuilding DM16,800, the report shows. Agriculture, which enjoys subsidies both from the German national budget, and from the European Community, was next highest with DM14,579 per head.

The DIW suggests that the per capita subsidy in coal mining is now so high that it would be cheaper to promote alternative jobs in other sectors for coal miners.

EC commissioners yesterday debated plans to scale back European coal subsidies and adjust state aid to German mines. A decision could be taken before the end of the month, but member states are unlikely to be able to approve the new subsidy system before next year. The existing framework for aid to coal producers expires at the end of 1993.

● Germany's DAG white-collar union yesterday rejected a 3.4 per cent pay offer to 230,000 insurance workers, and threatened employers with "spontaneous" warning strikes later this month, Christopher Parkes writes from Frankfurt.

The first signs of strife in the latest pay round emerged after insurance companies presented a proposal for a 16-month deal which the union claimed was worth 2.7 per cent a year at best. The DAG had asked for 7.5 per cent across-the-board.

IG Metall, the country's biggest union has started negotiations on a similar demand on behalf of steelworkers.

State aid and tax allowances paid by central govt to selected industries in W Germany (DM million)

Industry	1980	1986	1990	1992*
Agriculture	10,072	15,672	14,299	16,895
Coal mining	4,470	4,563	8,599	8,401
Chemicals	926	1,349	1,595	1,595
Mech. engineering	1,449	2,156	2,239	2,623
Aerospace	526	610	1,567	1,432
Shipbuilding	386	326	605	769
Railways	9,218	8,613	9,013	7,729
All manuf. industry	10,404	15,997	18,346	19,396
All enterprises**	61,017	78,617	80,869	86,444

* planned; ** including housing subsidies

Italy to reopen BNL Iraq loans case

By Robert Graham in Rome

THE Italian Senate has decided to reopen an investigation into the case of the Atlanta branch of Banca Nazionale del Lavoro, the state-owned commercial bank, which made almost $5bn worth of illegal loans to Iraq during the 1980s.

The Senate's decision follows concern in parliament about the growing body of evidence indicating that BNL's Atlanta branch could not have acted on its own in providing the large amounts of credit that helped finance Iraq's war machine.

On Monday in London, court proceedings collapsed against three executives of Matrix Churchill, the UK engineering group, for illegally supplying equipment to Iraq which had military uses after British government documents showed that several ministries were aware of the true nature of the deal.

The aborted trial also heard evidence that Britain had shared its knowledge about Matrix-Churchill exports to Iraq with other friendly governments. Italian parliamentarians familiar with the BNL-Atlanta affair are convinced such intelligence was passed on at least to 'sectors' of the Italian government.

Matrix-Churchill's Ohio affiliate in the US is named in recent US court documents as having had its Iraqi exports funded by BNL-Atlanta letters of credit.

The terms of reference of the new Senate commission will be the same as those of its predecessor; that is, to ascertain the extent to which Italian companies had received finance and guarantees from BNL-Atlanta to fund Iraqi weapon's purchases and the latter's illicit armaments programme.

The previous commission, wound up in April, reported that it had received scant cooperation from the Italian and US authorities. It was also sceptical about the US official view that the Atlanta branch, headed by Mr Christopher Drogoul, was solely responsible for the loans.

President François Mitterrand reviews veterans during the annual World War One Armistice Day ceremonies on the Champs Elysees

UK-German initiative on Bosnians

By David Marsh and agencies

BRITAIN and Germany yesterday announced joint action to ease the plight of Bosnian refugees trapped after fleeing fighting in the former Yugoslavia.

Mr Klaus Kinkel, the German foreign minister, said after bilateral talks near Oxford, England, that his country was ready to take 1,000 of the roughly 6,000 people marooned in camps on the border with Croatia. Mr Douglas Hurd, British foreign secretary, said Britain would take 150 heads of families from the camps, making, with dependents, a total of around 400.

Mr Hurd said the EC foreign ministers discussed the refugees' predicament at their meeting on Monday, and expressed "willingness to do more".

Mr Kinkel pointed out that Germany was already bearing the main burden of dealing with refugees trying to escape the fighting by fleeing outside the borders of former Yugoslavia. But he said Bonn was determined that the camps should be cleared before winter set in.

In Sarajevo, the planned evacuation of thousands of people from the besieged Bosnian capital appeared to be ready to resume yesterday after it was halted by the local military commander on security grounds.

The Bosnian military, citing security concerns, ordered a halt to convoys leaving Sarajevo on Tuesday after 1,500 Moslems and Croats had left for the Croatian Adriatic port town of Split and a bus-load of Serbs had headed north for Belgrade.

Hundreds of other people wanting to go to Belgrade were left milling around the city centre after the Red Cross, which is organising the exodus, failed to provide any more buses or drivers. After spending the night in freezing cold outside the main railway station one bus and six cars left for Belgrade after midday yesterday, and the Red Cross assured the waiting crowd other buses were on the way and they would all get out. Red Cross officials said they had been assured by the UN forces that they would keep open the airport road, a notoriously dangerous stretch known as "Sniper Alley", until last night for the convoy to pass.

As was the case on Tuesday, most of the evacuees were elderly who said they were as much concerned about surviving the winter as the war.

The Bosnian Red Cross expects to remove 6,000 people altogether, but not able-bodied men of fighting age, 18 to 60, who have been banned from leaving. Rival Moslem, Croat and Serb forces refrained from serious military action ahead of a ceasefire due to come into force at midnight last night, Bosnian radio reported.

One ethnic Albanian was killed and two Serbian soldiers were wounded yesterday outside the Yugoslav army headquarters in Pristina, capital of the mainly Albanian province of Kosovo, writes Laura Silber in Belgrade. An eyewitness said the shootings occurred after three men approached a guard, stabbed him and shot another soldier in the stomach. Other soldiers returned fire, killing a 26-year-old ethnic Albanian. The other two assailants, one of them wounded, escaped.

A conflicting statement from the Democratic League of Kosovo, the main Albanian party, said the sentries had provoked the three passers-by. Mr Saqir Saqiri, a leader of the DLK, said: "We are used to such daily provocations, Serbia wants provocations." The incident comes amid growing concern that Kosovo could be the next region of former Yugoslavia to erupt in ethnic war.

Gibraltar ready to push for self-rule within EC

By Tom Burns in Madrid and Joe Garcia in Gibraltar

BESET by Euro-scepticism at home and Euro-impatience elsewhere in the Community, the UK government could probably do without another battle over Europe with its own crown colony of Gibraltar.

Yet Mr José Bossano, chief minister of the Rock at the tip of Spain, will insist in talks with Mr Douglas Hurd, the British foreign Secretary, in London today that Gibraltar is the "13th member of the EC" and opposes any increased interference by London in what it claims are its domestic affairs.

Mr Bossano is determined that his demands for self-determination within the Community should not be brushed under the table by the UK Foreign Office.

"If the British government attempts to dictate to us, it will lead to a major confrontation," Mr Bossano said before leaving for London.

The core of the problem is that Gibraltar's 15-member House of Assembly has introduced a series of regulatory banking measures tailored to meet Brussels directives, and that Mr Bossano is aggressively marketing Gibraltar as a tax-efficient rival to Luxembourg within the Community.

The Foreign Office view is that, with the onset of the Community's single market, the UK, as the member nation, is responsible for the compliance by a dependent territory such as Gibraltar with EC directives. Accordingly, it will be London that will regulate in Gibraltar, not Mr Bossano's executive.

Mr Bossano has passionately embraced Europe as a replacement for Empire, having watched virtually all the British presence, save the governor, withdraw from Gibraltar. The dockyard that used to refit the Royal Navy was closed in the 1980s and the last UK ground forces left last year.

The stand taken by the pugnacious former trade union official, who was overwhelmingly elected for a second term earlier this year by the Rock's 14,000 voters, could be embarrassing for Britain.

Mr Bossano argues that the UK government, while preaching the virtues of subsidiarity to its European partners, finds itself practising quite the opposite when it comes to Gibraltar. However, Mr Bossano will again be told during the London talks that the Rock is only in the Community because it is a UK colony and there is consequently "no future" for his 13th member pretensions.

Mr Bossano directly challenges this. He argues that Gibraltar, by implementing EC directives on its own initiative, has effectively acted as a member of the EC in its own right.

He echoes a virtually unanimous view among the Rock's business community: that Gibraltar can only be competitive within the EC if it regulates its own affairs.

However, his battle for Gibraltar's self-determination within the EC is unacceptable to the Spanish government as well.

Under the terms of the 1713 Treaty of Utrecht by which Spain ceded Gibraltar to the British Crown, the Rock is either a colony or it is returned to Spain.

Spain has adamantly refused to allow any development that would bolster the Rock's self-reliance. Spanish pressure has recently been highlighted by the Madrid government's opposition to the inclusion of Gibraltar as a European entry point under single market legislation.

Irish PM makes pre-poll pledge to increase spending

By Tim Coone in Dublin

MR Albert Reynolds, the Irish prime minister, has promised to create a I£750m fund for road and rail investment if his Fianna Fail party is returned to power in the election to be held on November 25.

He also said he would reform taxation, meet I£350m in promised public sector pay awards and maintain current levels of spending on health, social welfare and education

In launching the party manifesto yesterday, Mr Reynolds stressed the importance of infrastructure investment to counteract the effects of the recession. He said priority investment projects include improvements to the national road and rail network and a light rail transport system for the capital, Dublin.

Mr Reynolds was emphatic, however, that it would not involve additional borrowing costs for the government. "We will be maintaining borrowing at the present level or below and the overall targets for European Monetary Union will be met," he said.

The I£750m capital fund is to be created by borrowing I£370m from the National Treasury Management Agency, which in turn will borrow money abroad. The other half is to come from EC Cohesion Funds (the availability of which will depend on full ratification of Maastricht).

As collateral, the NTMA will be given the government's holdings in two semi-privatised companies, Irish Life and Greencore, as well as two government investment banks – ACC Bank and ICC – which are due to be sold off. These will be placed into a holding company, and sold off "when market conditions improve", said Mr Reynolds. According to Mr John Hogan, head of research at Riada stockbrokers, the government's shares in Greencore and Irish Life are currently worth I£60m and I£100m respectively, while the two banks are together worth "around I£60-70m".

■ The European Commission yesterday approved a scheme to help Ireland's small and medium-sized companies suffering from the recent exchange rate turmoil, but laid out strict conditions for its application, writes Andrew Hill in Brussels.

The Commission said it had approved the I£50m scheme only "in view of the unique and exceptional circumstances", and because the Irish authorities had made it clear that it was of "a strictly temporary nature".

The Commission said companies operating in the steel and synthetic fibre sectors would not be eligible for the scheme and there would be special restrictions for the agriculture and fisheries sector. The scheme runs until the end of March 1993, and will be reviewed at the end of this year.

Small companies in Ireland have been hit by the appreciation of the Irish pound against sterling and the lira in the aftermath of the ERM crisis and the increases in Irish interest rates.

Honecker's 'Nuremberg trial'

The key question will be who gave the orders, writes Leslie Colitt

THE trial of Mr Erich Honecker, the former East German hardline leader, begins today in Berlin. He and his close aides are charged with the border killings of citizens who attempted to flee the German Democratic Republic.

It will mark the first, and probably last, prosecution of an important deposed Warsaw Pact leader.

Germany has not witnessed a similar trial of political leaders since the Nuremberg War Crimes Tribunal of the Nazi leadership in 1946.

Just as at Nuremberg, the question of who gave the orders to kill will play a key role in the proceedings.

Sharing the courtroom with Mr Honecker and his fellow defendants will be the relatives of 13 men killed by bullets, land mines or automatic firing devices at the Berlin Wall and the inner-German border.

The mother of one of those killed, 20-year-old Mr Chris Güffroy, is among the co-plaintiffs.

Her son was riddled with bullets at the Berlin Wall in October, 1989, only eight months before Mr Honecker was deposed and nine months before the Wall was breached.

The 80-year-old Mr Honecker is terminally-ill with advanced cancer of the liver and may not survive the trial.

However, defence applications to have the trial cancelled because of his illness were rejected by the justice authorities.

Also on trial are five senior officials: Mr Willy Stoph, 78, the former prime minister; Mr Erich Mielke, 84, head of the state security police (Stasi); Mr Heinz Kessler, 72, former defence minister; Mr Fritz Streletz, 66, former deputy defence minister and Mr Hans Albrecht, 72, Communist party chief of Suhl district.

A cardboard cutout figure of Honecker near the site of the Wall

The prosecution charges that Mr Honecker, as chairman of the National Defence Council, and the others as members were responsible for the border killings.

The council is said to have issued orders to the border troops stipulating that citizens fleeing to the West were to be stopped using "all means" at their disposal.

Mr Honecker and his lawyers have indicated they will argue that it was the Soviet-led Warsaw Pact which approved the building of the Wall in 1961 and that every Soviet leader since then bore responsibility for the consequences.

Mr Klaus Feske, head of a solidarity committee for Mr Honecker, said after visiting the ex-leader in Moabit prison hospital yesterday that he was in a fighting spirit and would defend his "socialist ideals" at the trial.

Pressure to hold the trial mounted when several former border guards put on trial and found guilty last January of fatally wounding would-be escapees.

"The small fish are caught but the big ones get away" was a complaint commonly heard among ordinary east Germans.

The fact that the court will seek to convict Mr Honecker and his co-defendants on charges of violating the constitution and laws of the former German Democratic Republic has no precedent in legal history.

But embarrassing questions are being posed.

Why, it is asked, if Mr Honecker is being tried as a common criminal today, was he welcomed in 1987 with full honours on his state visit to Bonn?

Many east Germans would have preferred to see Mr Honecker brought to justice by an east German tribunal instead of what is, for all practical purposes, a west German one.

Others remark bitterly that west Germans, who failed to bring to justice Nazi officials and judges after the Second World War, were scarcely qualified to tell east Germans to come to terms with their own recent history.

A small but vocal minority, consisting largely of Mr Honecker's hardline supporters, dismiss the trial as a political sham designed to wipe out the last vestiges of socialism in Germany.

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Georgians look to Shevardnadze to save them

The former Soviet foreign minister now has the authority to rescue his nation from chaos, says Steve LeVine

IN the volatile republic of Georgia, where almost every man carries a gun, Mr Eduard Shevardnadze, the newly confirmed leader, is about as democratic in the western sense as one can find. Simply put, everyone has a say, but in the end Mr Shevardnadze's decisions prevail.

The former Soviet foreign minister is consolidating power in his native land. After winning a popular mandate in October, he was declared head of state by parliament last week and given presidential-style powers. He retains his formal title of chairman of the parliament. He has since hand-picked a speaker and a prime minister.

While Georgians queue for bread, 125,000 tonnes of US and EC wheat is held up in ports lacking equipment for unloading

For the last eight months, Mr Shevardnadze had chaired a four-man ruling presidium created in the wake of the civil unrest which wrested power from Mr Zviad Gamsakhurdia, Georgia's first democratically-elected president. Mr Shevardnadze had operated largely under the steam of his international prestige. Georgians listened to him, but he possessed little actual authority.

The legitimisation of his power comes at a crucial time. Georgia's internal troubles are spreading beyond its borders. It is caught up in numerous small wars that have broken out throughout the Caucasus region, including southern Russia.

Now that he is in charge, Mr Shevardnadze will have to answer for problems that have gone unaddressed. First, the republic's economy is collapsing: 700 out of 1,300 factories employing more than 100 workers have closed. Hopes for economic recovery have been dashed by the growing civil unrest which has pitted the republic's ethnic minorities against its government.

The war with separatists in the breakaway Black Sea region of Abkhazia has stopped the flow of industrial supplies and food along the main rail line from Ukraine and Russia. The key natural gas line from Russia, which runs through the warring republics of North and South Ossetia, at the northern edges of Georgia, has been blown up repeatedly.

Because of this, the government expects state revenues to reach only half the Rbs26bn budget this year. Many state employees have not been paid for months because the government cannot afford to buy enough rouble notes from the sole printing plant in Russia. The government has no money to buy natural gas or petrol for the winter, and Georgia's Orby airline operates only when it can find fuel.

For ordinary Georgians, the crisis is acute. While Tbilisi residents stand in late-night bread lines, 125,000 tonnes of US and European wheat are held up in Georgia's main sea ports because of inadequate unloading equipment.

The situation will only improve when Georgia's military conflicts are resolved. Its attempts to crush Abkhazian separatists damaged the republic's relations with Russia after the Georgian government accused Russian troops stationed there of supporting the separatists.

The deterioration in Abhkazia has marred Mr Shevardnadze's image as peace-maker. But the former Communist Party chief of Georgia has also had to deal with the strong-willed nationalism of Mr Tengiz Kitovani, the defence minister. The two men have often been at odds over how much force to use to quell the separatist aspirations of the republic's minorities.

Mr Shevardnadze, with his newly-acquired status, should be able to stem the influence of his overly nationalist colleagues.

He will also have to control the armed civilian groups that roam the capital, Tbilisi, and the countryside. Most of these groups grew out of the movement that removed Mr Gamsakhurdia. In the western city of Zugdidi, robbery is so common that even police race through treacherous sections of highway to avoid bandits.

The fighting and criminality have kept away the foreign investment that Georgian economists say the republic needs to survive. "Western business-

Eduard Shevardnadze: consolidating power

men were waiting for the election. Now they're waiting for peace," said Mr Gia Tsagareli, deputy chairman of the state committee on foreign relations. Discussions with the International Monetary Fund have produced no results yet as the government is unable to define a sound economic programme.

Georgians do not underestimate their problems. If anything, they engage in endless self-criticism and in-fighting. Most seem to agree, though, that Mr Shevardnadze is the only way out of their seemingly intractable morass.

Moscow threatens gas flow to Baltics

THE RUSSIAN government has threatened to cut off gas supplies to the Baltic states unless they accept a new plan to finance Russian troops based on their territories, Reuter reports from Moscow quoting Itar-Tass news agency.

Under the plan, gas exported to Estonia and Latvia would be partly paid for in Estonian kroons or Latvia's national currency, which is yet to be introduced. A similar scheme is planned for Lithuania.

The money would be paid into branches of Russian banks in each state for withdrawal by the troops. Russia would provide extra support in freely convertible roubles.

Tass said Russia would cut off gas to the three Baltic states if they failed to recognise non-cash transfers from the Russian bank.

Last week President Boris Yeltsin ordered withdrawal of the troops from all three Baltic states to be suspended because of what he called discrimination against Russian minorities. But he later said the troops would quit Lithuania as agreed by mid-1993.

Hungary takes arms in debt deal

By Nicholas Denton
In Budapest

HUNGARY has agreed to take delivery of military equipment and spares worth $800m in part settlement of Russia's $1.7bn debt to this former Warsaw Pact country.

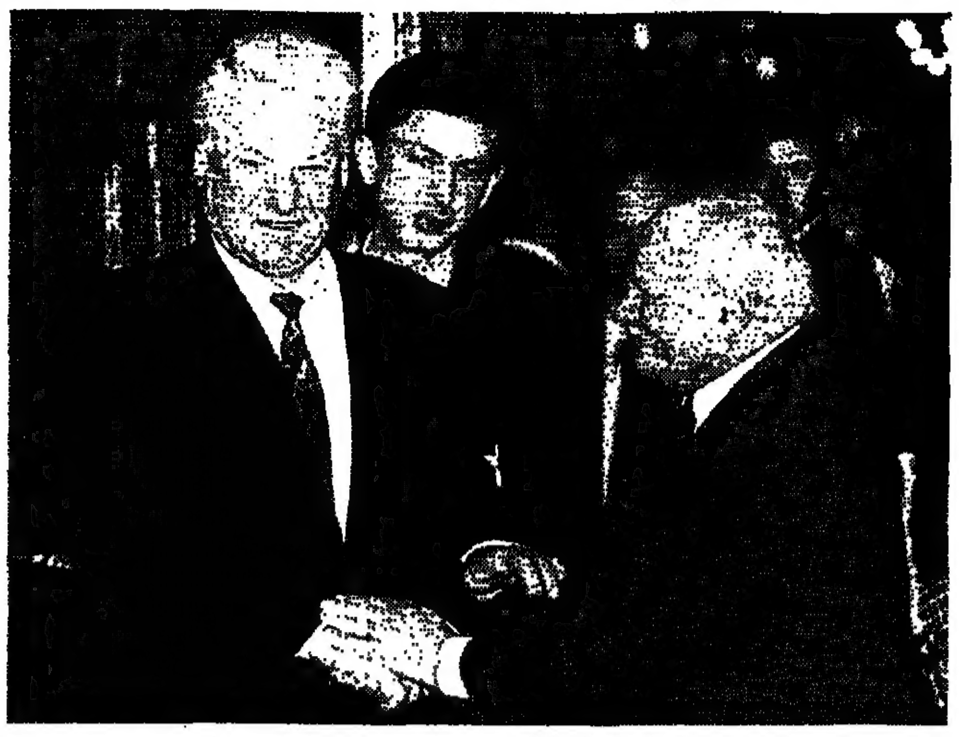
The Budapest government is also considering buying Russian fighter aircraft to shore up air defences whose vulnerability has been exposed by frequent violations of its airspace by the Yugoslav air force.

The decision was announced during the first official visit to Hungary by Mr Boris Yeltsin, the Russian president.

Russia and Hungary also settled another contentious issue by agreeing to drop claims against each other dating back to the stationing of Soviet troops in Hungary.

Mr Yeltsin renounced Russian demands for compensation for its investments in the military bases vacated by the Soviet army when it left in June 1991. In return Mr Jozsef Antall, the Hungarian prime minister dropped demands that Russia should pay for the environmental damage caused by Soviet forces.

Budapest also promised to send medical supplies worth $10m to the Russian army and examine ways of helping Russia to house troops previously stationed in Hungary.



Smiles on the faces of President Boris Yeltsin (left) and his Hungarian counterpart, Mr Arpad Goencz, betoken the start of a new relationship between Moscow and Budapest

Both sides have moved quickly to settle their financial disputes, which are a legacy of their communist past, in order to put future commercial relations on a fresh footing.

They are keen to stimulate their bilateral trade, which grew by 28.8 per cent to $2.28bn in the first three quarters of this year after falling by more than 50 per cent in 1991.

Mr Yeltsin, who visited Budapest on his way back to Moscow from his official visit to London, drew another line under the past by condemning the Soviet suppression of Hungary's 1956 uprising as "an indelible stain on the Soviet system".

The Russian president underlined the apology by visiting the grave of Mr Imre Nagy, the executed leader of the short-lived revolutionary government.

He also handed over classified KGB documents about the events of 1956.

Mr Yeltsin said he hoped that Russia and Hungary could put their "mutual bitter past" behind them and begin relations on a "fresh sheet".

Hungary was the first country to establish diplomatic relations with an independent Russia, which Budapest is counting on to help stabilise a volatile region. The two countries signed a friendship treaty last December.

Both countries' have large number of their ethnic kin living as minorities in other countries and their common concern is reflected in an agreement to press the United Nations Security Council to take action to safeguard ethnic minorities.

Mr Yeltsin also appealed for Europe to embrace the former Communist bloc, saying only an integrated continent could prevent "new shocks and cataclysms".

He added that "the aim is quite clear: to make as mild as possible the transition of post-totalitarian Europe into a normal, civilised continent".

Russia averts clash with Chechnya

A CLASH between Moscow and the breakaway southern Russian republic of Chechnya was averted yesterday when Russian troops withdrew from a disputed area on Chechnya's borders, writes Our Foreign Staff.

The troops, sent into neighbouring Ingushetia to quell a fierce outbreak of ethnic violence, had occupied three regions claimed by the Chechen republic, which declared independence from Russia last year.

Russian television said on Tuesday that 277 people had been killed in the region since fighting broke out between Ingushetia and its neighbour, North Ossetia, 12 days ago, over a disputed border region.

The Russian troops were withdrawn from the Chechen border following all night negotiations between the two sides, and Mr Yegor Gaidar, the acting Russian prime minister.

On Tuesday, Chechen President Dzhokhar Dudayev had accused Moscow of violating its borders and threatened to drive out the Russian units.

He called on his countrymen to "rise up in defence of Chechen independence" if the Russians refused to leave.

The latest conflict to flare in the Transcaucasian ethnic tinderbox is the first serious unrest in Russia proper since the Soviet Union collapsed late last year.

The North Caucasian republics on Russia's southern fringe are a growing source of instability for the federation – as the local pro-Moscow governments collapse and radical nationalist movements, all hostile to central authority, pursue long-buried territorial claims against each other.

Chechnya, with a population of 1.3m, has been a constant thorn in the side of President Boris Yeltsin, who was forced to pull troops of from the region last year after tensions threatened to erupt into all-out war.

Mr Yegor Gaidar, the Russian acting prime minister, flew to the North Ossetian capital of Vladikavkaz on Tuesday in an effort to restore calm in the region.

Mr Sergei Shakhrai, the newly-appointed Russian deputy premier in charge of ethnic relations, is expected to visit the area in the next few days in an effort to broker a more permanent settlement.

Argentine debt plan ready soon

By John Barham in Buenos Aires

ARGENTINA'S debt reduction plan will be ready for signing in the first week of December, according to Mr Domingo Cavallo, Economy Minister. The programme was restructured after banks opted for only one of the two debt reduction instruments, delaying the signing by three months.

Argentina originally offered to convert $23bn in commercial bank debt into two types of bond, underpinned by US Treasury zero coupon bonds. One of the bonds reduces debt principal by 35 per cent, but pays floating interest rates. The other bond pays lower, fixed interest rates while preserving the full value of the original debt.

The steep fall in US interest rates has made the fixed interest par bonds more attractive than floating rate discount bonds. Banks opted overwhelmingly for fixed interest bonds, forcing international lending agencies to demand a rebalancing.

The banks have now agreed to convert 65 per cent of their loans into par bonds and raise to 35 per cent the share of discount bonds.

Commission wants three White House policy-making agencies

Big shake-up urged on Clinton

By Michael Prowse in Washington

PRESIDENT-ELECT Bill Clinton should create new White House agencies to oversee economic and domestic policy as part of the biggest shake-up of US government since the Truman administration, a bipartisan commission of former officials said yesterday.

It urged Mr Clinton to place responsibility for policy formulation and co-ordination in three councils of equal standing: the existing National Security Council; an Economic Council, which would handle domestic and international economic issues; and a Domestic Council, which would handle all other domestic issues.

Each council would be modelled on the National Security Council and would be comprised of the relevant cabinet officials.

Reflecting this new tripartite policy-making structure, the president should appoint three co-equal assistants to the President – for national security, economic affairs and domestic affairs. Each would be supported by a lean staff within the White House.

The changes were recommended in a memorandum delivered to Mr Clinton on November 4 by the Commission on Government Renewal, a committee of 30 senior officials drawn from the past eight US administrations and sponsored by the Carnegie Endowment for International Peace and the Institute for International Economics, two Washington think-tanks.

The commission said an overhaul of White House policy-making machinery was overdue following the end of the Cold War and the increased priority now attached to economic and social policy.

The creation of the new White House agencies was the only way to ensure that economic and social policy in future received as much presidential attention as foreign affairs and defence policy.

Mr Clinton, however, would still need a chief of staff, senior to the three assistants, to serve as an overall co-ordinator of policy and "honest broker" within the White House.

The commission also called for clarification of policy-making machinery outside the White House, especially in trade, competitiveness and the environment. In each case a single government department should be made responsible for policy.

The US Trade Representative should become the president's sole trade negotiator and the administration's sole spokesperson on trade.

The Commerce Department should give up trade functions and concentrate on promoting US economic competitiveness.

A new Department of the Environment should assume the responsibilities of the Environmental Protection Agency and other scattered environmental duties.

Top officials will face tougher ethics curbs

By George Graham in Washington

GOVERNOR Bill Clinton is expected to require members of his new administration to sign some of the most exacting ethical restrictions yet imposed on US government officials.

The president-elect could announce the ethical guidelines, which will include tough constraints on the kinds of lobbying activities political appointees may engage in after they leave office, in the Arkansas state capital of Little Rock, today.

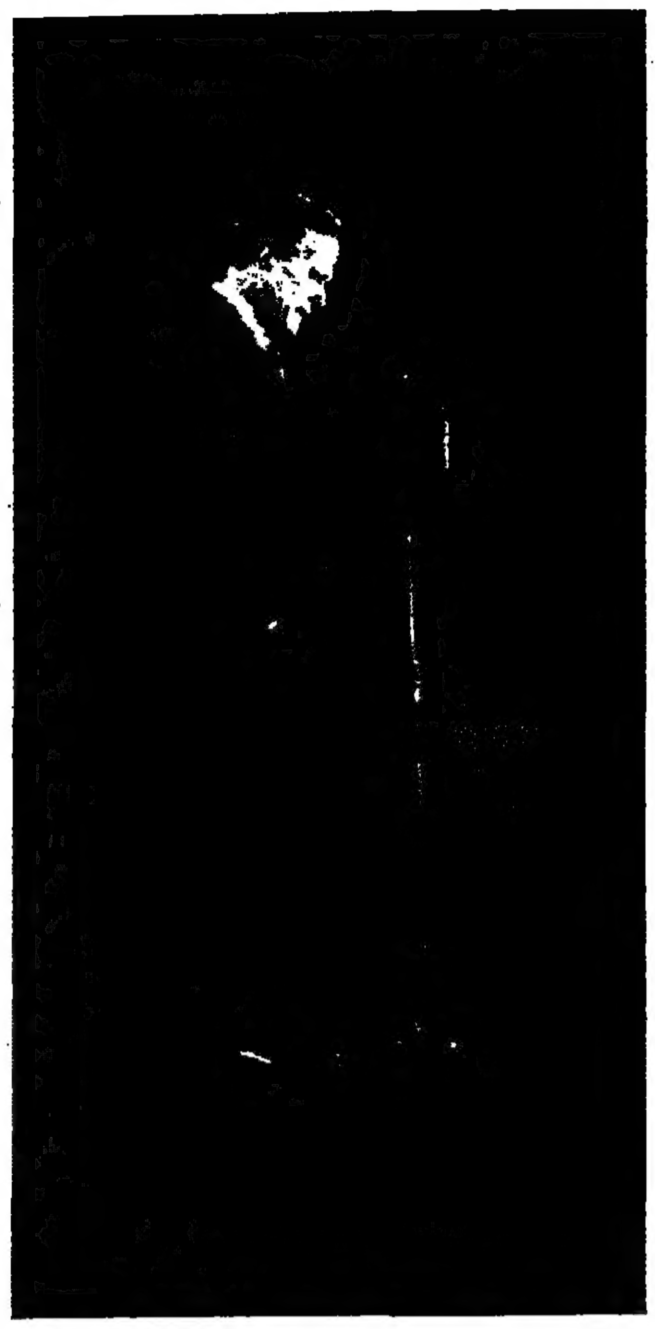
The announcement of the ethics rules would be the first substantial act Mr Clinton has taken since he won the presidential election last week, and would precede the announcement of any of the nominations to serve in his cabinet.

Mr Warren Christopher, director of the Clinton transition team, said last week that the ethics rules would be the strictest yet seen; the Washington Post reported yesterday that top administration officials would be prohibited from lobbying their former agencies for five years after they left office, and would be banned for life from representing foreign governments.

Cabinet officials are at the moment prohibited from representing foreign governments or lobbying their former department for one year after leaving office.

Irritation at the influence of Washington lobbyists over the campaigns of both President George Bush and Governor Clinton was a prominent and popular theme in the campaign of Mr Ross Perot, the Texas billionaire whose independent candidacy won 19 per cent of the votes in the election. Mr Perot himself has been a frequent and successful user of the services of the same Washington lobbyists.

Incoming US presidents oversee sweeping personnel changes in the federal government. Over 1,700 jobs are listed in federal rule books as subject to presidential appointment, and overall some 3,000 political appointments are made. Mr Clinton's new ethics rules, are expected to apply only to the top tier of these appointees.



President Bush addresses outgoing Republican Senators at a dinner in Washington yesterday

Brazil remains mystified by its 'ordinary' man

Christina Lamb looks at the problems facing Itamar Franco's presidency

FIVE weeks into its new government, Brazil is still mystified by President Itamar Franco. Faxes continue to fly between investors trying to decipher the direction of the administration and to pick their way through the contradictory statements from ministers which have left the stock market reeling.

Unlike his dynamic predecessor, Mr Franco is untroubled by any great mission, and does not feel the need to give nationwide addresses. Alarming security staff by entering the presidential palace through the public door, he says he wants to be thought of as "an ordinary man" and publicly rebukes ministers when they do "sneaky" things like putting up fuel prices at night.

Mr Franco's nonchalant attitude contrasts with the dire straits of Latin America's largest economy. The country is in its third year of recession, annualised inflation is around 1,500 per cent, an accord with the International Monetary Fund has collapsed, and falling tax receipts have left a $20bn hole in the budget. There are also increasing signs of social unrest such as armed raids on the beaches of Rio.

Despite the gravity of the problems, it is enough for many Brazilians – still shocked after the traumatic process of Mr Fernando Collor's impeachment and volatile presidency – that Mr Franco is offering no surprises. And while the rhetoric and background of some of his ministers may be nationalistic, in practice Mr Collor's strict monetary policy and modernisation programme has not been tampered with.

Moreover, Mr Franco has managed to cobble together the most remarkable coalition in recent Brazilian history. His cabinet contains members of all leading political parties from left to right and his impressive Congressional majority of 441 out of 503 is led by the former head of the Communist party.

Last Friday, the government announced a $16bn fiscal reform package, based largely on a tax on cheques. Mr Paulo Haddad, the Planning Minister and the President's right-hand man, says: "In five weeks we've done something Collor didn't dare in two years." The reform is, he says, part of a plan to scrap all indirect taxes by 1994, and should allow reduced interest rates by next April.

However, the package involves constitutional amendments needing Congressional approval and few believe it can pass this year as it must in order to come into effect next.

Aware of the urgency, Congress does not have a good record on approving legislation – a crucial port reform project has lingered almost a year – and Mr Franco's theoretical majority is yet to be tested. Mr Benito Gama who heads the fiscal reform commission in Congress, says: "I think it will be very difficult".

Moreover, businessmen warn that increasing tax revenues is not easy when 46 per cent of the top 300 public listed companies are in the red and retail sales are 12 per cent down.

But Mr Franco also wants them to increase salaries from the current $60 a month minimum to which most Brazilian wages are pegged. According to Mr Haddad, the President's main preoccupation is the country's 50m living in absolute poverty and his slogan is *"tudo pelo social"* – anything to improve welfare.

To this end Mr Franco has refused to sanction a 23 per cent increase in medicine prices, even though pharmaceutical companies point out that inflation is 26 per cent a month and that it is impossible to produce drugs cheap enough for families living on $60 a month.

He has also seized on public sector tariffs as way of supressing inflation. Telephone charges are to be frozen until next March and Mr Franco wants a similar deal with fuel prices although Petrobras, the state oil monopoly, is warning that it is already losing $10m a day.

Such populist moves are unlikely to go down well with the IMF when Mr Haddad presents his case next month for a new agreement. They are also provoking fears that the next step might be a price freeze.

The other major uncertainty is the fate of the privatisation programme. Mr Franco is a past critic of privatisation and many ministers adhere to the nationalist line. Although Mr Haddad says that by next March he wants to start tackling the energy and infrastructure sectors, it seems likely that future sales beyond those already scheduled by Mr Collor will be left to Congress.

Next Wednesday Mr Franco will address Congress to outline his policies. There seems little reason for optimism on the economic front but Mr Franco should have a breathing space over the next few months. The media focus is still on the impeachment trial of Mr Collor and the politicians are busy planning for next April's referendum on the political system. Businessmen are holding their fire, at least until they know more.

NEWS: WORLD TRADE

US to boost exports to 15% of GNP

By David Dodwell, World Trade Editor

WASHINGTON will over the next five years aim to boost exports from 10 per cent to 15 per cent of GNP, a leap of $250bn (£165bn) at current prices, according to Mr John Macomber, the retiring chairman of the US Export-Import Bank. After three years as chairman, during which Eximbank has more than doubled the exports it backs, from $8bn in 1989 to $17bn this year, he says the bank's role has been transformed "in terms of scope, size, programmes and influence on US trade policy."

He has seen export credit cover for projects in India rise from $100m in 1990 to $1.1bn today, with $2.5bn working through the system. Cover for projects in Mexico has risen from $2bn to $7bn in three years. He concedes a cheap dollar has helped boost recent export gains, but does not feel a stronger dollar will slow headway: "The dollar is too cheap; even if it were to strengthen as much as 20 per cent, I still don't think it will effect our competitive position. Americans really are for the first time in a very good trading position."

Mr Macomber is shy about his Eximbank achievements. But he may take much of the credit for tightening disciplines in the bank that have forced greater budgetary transparency. He has begun to coax US

Macomber: "Dollar too cheap"

private bankers back into trade finance after a decade in which the Latin American debt débacle had made them allergic to such business. Even today, he says overseas banks account for 40 per cent of Eximbank's business.

He appears unruffled to leave the bank amid controversy over its admission of export credit subsidies: "Export credit agencies will lose their credibility unless they are really up-front about their costs. We wouldn't have export credit agencies in a perfect world. But there are always areas where commercial finance is not available, but should be."

Delors in Maastricht-Gatt trade-off

David Gardner reviews an extraordinary week of manoeuvres in Brussels and abroad

MR John Major, the UK prime minister, is not the only European leader performing U-turns. Mr Jacques Delors, president of the European Commission, has just done a *volte-face* on the Uruguay Round in what one of his main opponents was gracious enough to describe as a "statesmanlike" way.

Three weeks ago Mr Delors reckoned there was no chance of concluding the world trade reform talks this year, echoing the government of his native France which overtly opposed a settlement.

One week ago he was accused by Mr Ray MacSharry, the EC agriculture commissioner, of deliberately undermining a real chance of settling the EC-US food export battles on which the Uruguay Round hangs, and to which the alternative is transatlantic trade war.

Yet on Tuesday in the Hague, Mr Delors said an understanding with the US on the Uruguay Round must be reached by the summit of EC leaders in Edinburgh on December 11-12. And yesterday in Brussels, the Commission formally announced Mr MacSharry would be resuming talks with the US next week, a role he angrily relinquished to Mr Delors last Wednesday. So what has happened in the interim?

In summary:

- France is having its bluff called on how far it will go in opposing a Gatt deal;
- Germany, strongly backed by the UK, at last is coming out in favour of a deal; and
- Mr Delors appears to have concluded that there was no better deal available than the one Mr MacSharry was close to in Chicago last Tuesday night and that intra-Community blood-letting over trade risked spilling into the row over ratification of the Maastricht treaty.

When EC foreign ministers met in Brussels on Monday, France was not isolated, but it was politically bereaved. Even before the meeting, ministers were openly nervous about where Germany would line up on Gatt.

The Bonn-Paris alliance is the EC motor, and France had pulled out every stop to get Germany to back delay on Gatt, arguing that the government would fall and rioting by French farmers would ensue if the agriculture subsidy cuts in the Uruguay Round were agreed. France obtained the support of Spain, Belgium, Portugal and Greece, and had resorted to desperate tactics.

> The Bonn-Paris alliance is the EC motor, and France had pulled out every stop to get Germany to back delay on Gatt, arguing that the government would fall and rioting by French farmers would ensue if agriculture subsidy cuts were agreed.

According to a senior Spanish official, Paris reminded Madrid that France had been co-operating in rounding up Basque terrorists on its side of the border, and that the future of French farming was an equivalent matter of national security.

Yet some French officials admit Paris would not in the end carry out its threat to "veto" a Uruguay Round deal, citing "overwhelming national interest" to block agreement.

Moreover, there appears to have been a shift in the hitherto unshakeable Bonn-Paris axis. Although opinion inside the German coalition government has hardened on the need for a Uruguay Round conclusion, the assumption until now was that Germany would never risk its all-important relationship with France by pushing it into a Gatt corner.

German and French officials now concur that a more updated bet is that it is Paris which is unwilling to risk a breach with Bonn - at a time when the overriding priority of both Chancellor Helmut Kohl and President François Mitterrand is to salvage the European Union treaty agreed at Maastricht.

MR Delors shares the Maastricht priority, the vital next stage in his enormously successful drive for European integration. Yet he can rarely have been more under siege in his eight years as president; in the Gatt row he risked opening a second front while his main (Maastricht) defences were crumbling.

Mr MacSharry put Mr Delors on the spot, partly, it seems, to flush out the Anglo-German alliance which defeated the French on Monday, and partly to erase all doubt about his mandate to negotiate - which Mr Delors accused him of overstepping in the terms being discussed with the Americans.

The two men met, along with external affairs commissioner Frans Andriessen, on Tuesday night. It was a close-run thing. Mr MacSharry had prepared a dossier on his allegations that Mr Delors had undermined him. "If Delors so much as lights a match, I'll have the gunpowder," he told one official.

The combative Irish commissioner also extracted a letter from Mr Delors which at least acknowledged Mr MacSharry's own letter of last Wednesday resigning because of "betrayal of trust."

Mr MacSharry now has a free hand to reach a deal. Success depends on whether any package he brings back can be demonstrated to be compatible with the reform of the Common Agricultural Policy agreed in May - including by France.

It clearly also hinges on the outgoing US administration, which has twice in the last month backed away from almost done deals under pressure from its powerful farm lobbies. As of yesterday, however, senior US officials were saying they thought they could reach an understanding with Mr MacSharry as soon as next week.

Canada in tough line on Nafta

By Bernard Simon in Toronto

CANADA has joined Mexico in opposing any effort by President-elect Clinton or the US Congress to alter the environmental and labour provisions of the North American Free Trade Agreement (Nafta). A Canadian official indicated Ottawa would prefer the incoming Democratic administration in Washington to resolve its objections to Nafta in the framework of supplementary and parallel agreements, including existing bilateral "memoranda of understanding" rather than by re-opening the Nafta deal.

Mr Clinton has expressed general support for the deal agreed by US, Canadian and Mexican negotiators last August, but with the condition it includes tighter rules on environment, workers' rights and health and safety standards. President Bush gave the required 90 days' notice in early September that he plans to sign the Nafta deal and submit it for Congressional approval. The Democrat-controlled Congress is expected to press the Clinton administration to obtain pledges from Mexico and Canada that his concerns will be met.

Washington may face Gatt sanction on export subsidies

By David Dodwell, World Trade Editor

THE US faces the prospect of being taken to task by Gatt, after an extraordinary formal admission of the considerable export credit insurance subsidies it provides to exporters. The disclosures, detailed in a 14-page study by Mr Daniel Bond, Eximbank's chief economist, result from new US budgetary procedures aimed at greater financial transparency in government agencies.

Unfortunately for Eximbank, export credit agencies are supposed to operate on the basis of balancing their books. Few do this, but other agencies so fudge the figures that they are not forced to admit they subsidise. By formally admitting it subsidises, the US breaks the Gatt subsidies code.

It is not yet clear whether any country will make a formal complaint to Gatt. But countries such as the UK and Sweden, both of which insist their exporters pay higher export credit insurance rates as credit agencies try to match premium income against country risk, may come under pressure from local exporters, for whom the study provides clear *prima facie* evidence that US exporters have an unfair competitive advantage.

The study is equally embarrassing to countries like France, Germany and Italy, which would be forced to admit to subsidies considerably larger than those detailed by the US if they had to conduct a similar exercise. Mr Bond's study, presented last week to a working party of export credit agencies, showed:

- export credit insurance premiums to exporters cover barely a third of expected losses on contracts in riskier countries, with the Eximbank bridging the gap with a specifically calculated subsidy;
- Eximbank premiums match the cheapest available to exporters from other countries as part of a conscious government policy to ensure US exporters suffer no disadvantage resulting from insurance cover costs.

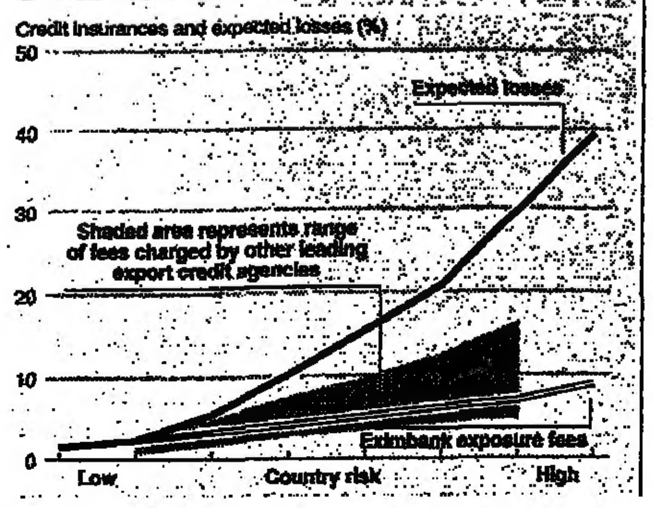
Mr John Macomber, Eximbank chairman, said yesterday the US government budgets just over $700m (about £450m) a year to subsidise Eximbank's operations, about $50m to run the agency, up to $200m as a "war chest" to match aid-funded export efforts by other countries, and up to $500m to provide subsidised insurance cover for US exporters in risky markets, mainly in the developing world.

"For this much money, we are providing for trade that otherwise wouldn't get done," Mr Macomber said. "The problem is that it seems to be in violation of the Gatt." He is unembarrassed by the US move: "Export credit agencies will lose their credibility with the public unless they become much more up-front about their costs. We are changing the regulations to make it clearer what is going on."

Mr Bond notes in his study that Eximbank "until recently made no attempt to estimate explicitly the potential magnitude of losses due to non-payment. Rather, the fee structure was designed so that Eximbank fees would be highly competitive with the fees charged by other export credit agencies." The study traces changes to be introduced in the coming financial year which aim to measure more exactly the level of risk involved with providing credit cover on export contracts. "Given the visibility of Eximbank's subsidy budget and the intense competition between government programmes for funding, Eximbank is exploring ways to reduce the level of its estimated subsidy budget," Mr Bond wrote.

Mr Macomber says he hopes an international trend in the direction of higher insurance premiums would make this possible without US exporters losing their present advantage of comparatively cheap access to insurance cover. An increase in fees is "under consideration," the report says. "The bank has some scope for raising fees without running the risk of becoming uncompetitive."

US Eximbank



Shots fired at Kenyan politician

By Julian Ozanne in Nairobi

UNIDENTIFIED youths yesterday stoned and fired shots at Mr John Keen, one of Kenya's leading opposition politicians, as he toured the constituency he intended to fight in next month's multi-party elections.

The attack on Mr Keen, secretary-general of the Democratic Party and one of the key agitators for political pluralism in Kenya, marks a dramatic increase in pre-electoral violence across the country and is bound to exacerbate tension further.

A police spokesman said yesterday five people had been shot dead and six injured on Tuesday at a demonstration in Meru District, eastern Kenya, against a member of the ruling Kanu party.

The assault on Mr Keen, who received minor injuries, occurred 24 hours after Mr Keen had declared that he wanted to contest the Kaijiado North constituency, held by Prof George Saitoti, vice-president and minister of finance. At a press conference on Tuesday Mr Keen said he was deeply critical of both Prof Saitoti He and President Daniel arap Moi.

Since President Moi announced the December 7 date for the elections last week, Kenya has suffered increasing violence and chaos. In addition, allegations of ballot-rigging and manipulation have been levelled within all political parties during the nomination of parliamentary candidates – which has seen some former Kanu members defeated.

The opposition has also said that the government is preparing to steal the elections by manipulation of the National Electoral Commission. On Tuesday, Ambassador Smith Hempstone, US envoy to Kenya, said the government was not playing fair and urged it to stop restricting opposition political activity. "Many donors will not accept the legitimacy of an election which is seen to be flawed," he said.

Egypt's mosques in state control

THE Egyptian government is putting all mosques under the direct control of the Ministry of Religious Affairs in an attempt to combat the influence of Islamic militants, a semi-official newspaper said yesterday, agencies report from Cairo.

Al-Ahram said the announcement was made by Mr Mohammed Mahjoub, minister of religious affairs, to a meeting of officials, preachers and scholars. It said Mr Mahjoub declared that "the mosques of Egypt will never be a place for extremism, terrorism, perverted thoughts or a stronghold of fear and imported ideas, but will always preserve their proper role in the lives of Moslems".

Hizbollah strikes raise stakes for Israel-Syria talks

By Hugh Carnegy in Jerusalem

THE most significant exchanges this week in the Middle East peace talks have taken place not in the cerebral chambers of the US State Department, where Arab and Israeli delegations are meeting, but in the dangerous hills of south Lebanon.

Guerrillas of the Hizbollah Islamic fundamentalist militia have once again kicked the shins of the mighty Israeli military by firing volleys of Katyusha rockets across the border into Israeli territory. Israel, frustrated that its frequent punitive air raids and occupation of a "security zone" inside Lebanon have failed to prevent such attacks, has moved tanks and extra troops into the area and protested furiously in Washington.

As an implacable foe of the peace talks, the Iranian-backed Hizbollah must be delighted that its raids have had the desired effect of souring the negotiations between Israel and Lebanon. But, in Israeli eyes, the events on the border have much more to do with the Israeli-Syrian talks than those with Lebanon.

Syria is the predominant power in Lebanon. Some 40,000 Syrian troops are deployed in the country. Although not in areas directly abutting the Israel-occupied zone, they control large areas where Hizbollah is active.

Israel believes that Syria is deliberately allowing Hizbollah to attack it to increase pressure on the Israeli government to give back the Golan Heights, the occupied Syrian territory that is Damascus's chief concern in the peace talks.

"The Syrians are exploiting Hizbollah to deliver the following message to Israel: Only we can liquidate Hizbollah – on condition that you pay a price. And the price is the Golan," said Prof Moshe Maoz of Hebrew University on Israel Radio yesterday.

Israel's problem is that it does not know how to respond. It can hardly pull out of the peace talks. As Mr Shimon Peres, the foreign minister, remarked, Israel will not let Hizbollah bring the process to a halt. The government has said it is ready for a partial withdrawal from the Golan, but not the Syrian demand for full withdrawal. Nor could it make such a dramatic concession under duress.

Militarily, there is also a dilemma. The Hizbollah rocket attacks into Israel, both in recent weeks and during the summer, ended a seven-year period during which such cross-border strikes (as distinct from regular clashes within the security zone) had virtually halted. But yet another round of air raids, or even a large-scale ground attack north of the security zone, is unlikely to have much effect against Hizbollah's small and mobile groups of fighters.

Much of this week's carefully orchestrated publicity about Israeli reinforcements – the normally assiduous military censor was strangely silent – appears to have been intended mainly as a warning to Hizbollah and Syria to back off.

But Damascus and the militants will continue to hold a potent card against Israel as long as Israeli forces remain in Lebanon. Despite the evident failure over more than a decade of occupation to achieve quiet in south Lebanon, Israel shows no sign of pulling out of the security zone.

● In a new blow to Middle East peace, Israel on yesterday walked out of an international conference on Palestinian refugees because it refused to sit in the same room as the head of the Palestinian delegation, Reuter reports from Ottawa.

AP adds: Israeli troops shot and killed four Palestinians and wounded 21 in clashes in the occupied lands yesterday, the army and Israeli radio said. It was the highest one-day casualty toll since April.One soldier was seriously wounded in a Palestinian ambush.

WARNING TO HIZBOLLAH: the Israeli crew of a Merkava tank yesterday crossing the border into south Lebanon

Bhopal safety violated, court told

By Shiraz Sidhva and Reuter in New Delhi

INDIA'S Central Bureau of Investigation said yesterday that Union Carbide and its Indian subsidiary had poor safety controls at the plant in Bhopal where a gas leak in December 1984 killed more than 3,000 people and affected thousands more.

The bureau presented documents to a court in Bhopal, central India, which is hearing two cases against Union Carbide, the US chemicals company, Union Carbide of India Limited, its Indian subsidiary, and their executives, on charges of culpable homicide.

It said the companies were aware of the hazardous nature of the gas, but had "failed to maintain proper control and adopt adequate safety measures" stipulated by the industrial development ministry when a licence was granted. The companies had violated the agreement with the Indian government. More gas had been stored in a tank than was permitted, and no high-temperature alarm had been installed to warn of an accident. "Sheer negligence" led to the disaster, it said.

The testimony yesterday was for the trial of Union Carbide of India Limited and nine of its employees. The court is hearing a parallel case against Union Carbide, Mr Warren Anderson, its former chairman, and three executives of its Hong Kong subsidiary. The split trials were necessary because Union Carbide and Mr Anderson have refused to honour court summons or be represented by lawyers. Their trial will resume on December 5.

The court has ordered Mr Anderson to be extradited from the US. It is not clear whether the Indian government will press for his extradition. The court has also ordered the seizure of all of UCIL's assets in India, including the now-closed pesticides plant in Bhopal.

Union Carbide has admitted "moral responsibility" for the accident, but blames sabotage. In 1989, it agreed a settlement with the Indian government under which it deposited $470m with the court for compensation to victims. Criminal proceedings were to be dropped.

India's supreme court last year upheld the compensation amount but lifted the immunity from prosecution. Compensation, with the exception of nominal interim payments, has been delayed by litigation, though in June the government fixed the compensation amounts at Rs100,000 (£2,325) to Rs300,000 for relatives of those killed, and Rs50,000 to Rs100,000 for the injured.

Hong Kong's legislature backs Patten reforms

By Simon Holberton in Hong Kong

CHINA WAS last night dealt a significant rebuff when Hong Kong's local legislature gave Mr Chris Patten, the colony's governor, solid backing for his proposals to increase democratic representation in Hong Kong.

The endorsement from the colony's political leaders – which is bound to anger China – follows opposition to the governor's plans from the colony's influential business community earlier this week.

Before leaving for Canada and the UK yesterday, Mr Patten reaffirmed his willingness to discuss with China alternative proposals to those he unveiled a month ago.

To date, Beijing has refused to discuss alternatives and instead has reasserted its determination to revoke any changes which are introduced without prior agreement.

But, by a margin of 32 to 21, the members of the Legislative Council (Legco) voted to give the governor "general support" for his blueprint for electoral reform. The strength of Legco support for Mr Patten – though never in doubt – was much greater than expected.

The council's highly charged debate lasted six hours.

Ms Christine Loh, a recently appointed member, gained much support for her opposition to Britain agreeing a deal with China simply to achieve "convergence" with Beijing's plans for Hong Kong after the colony reverts to Chinese sovereignty in mid-1997. She said that convergence was a false doctrine and "is a device introduced by China to serve China's ends".

She was opposed by Mrs Selina Chow, a senior member of the Co-operative Resources Centre, Legco's main conservative grouping, who again called for a referendum if Britain and China fail to agree terms. She said it was not in Hong Kong's interest to adopt a package of reforms which had no hope of surviving the change of sovereignty.

Legco members from both camps expressed their dismay at the way in which Britain and China had, in the past, gone behind the people's back to strike secret deals.

Last night's vote, however, is just the beginning of a process. Mr Michael Sze, secretary for constitutional affairs, said that legislation would have to be presented to LegCo early in the New Year and voted on in the spring.

Although Beijing has given no indication that it is prepared to discuss the governor's ideas, some in Hong Kong hope that a breakthrough can be achieved when Zhu Rongji, a senior Chinese politician, visits Britain next week.

Tokyo ready to boost economy further

By Charles Leadbeater in Tokyo

THE Japanese authorities stand ready to provide a further boost to the flagging economy, Mr Akira Nambara, the executive director of the Bank of Japan, said yesterday.

Mr Nambara said the bank and the Ministry of Finance would use fiscal policy, lower taxes or higher public spending to stimulate the economy if it did not show signs of recovering.

His comments are the furthest a senior Japanese official has gone towards acknowledging that the Y10,700bn (£54bn) emergency spending package announced in August may not be enough on its own to prevent the economy slipping into recession.

Mr Nambara told the annual meeting of the Institute of Foreign Bankers in Japan that, although a further stimulus was not yet justified, the authorities would act when they judged the time was ripe.

The supplementary budget needed to implement a large part of the Y10,700bn package is stalled in the Japanese parliament which is consumed by power struggle sparked by the Tokyo Sagawa Kyubin scandal. Some analysts believe another supplementary budget may be needed because tax revenues for 1992 may be even lower than originally forecast. A heated debate is under way over whether the budget for next year should include an income tax cut.

Mr Nambara said the pressures on the Japanese banking system were bad and getting worse with non-performing loans still growing. The top 21 banks' non-performing loans rose from Y8,000bn at the end of March to Y12,000bn at the end of September. The Japanese banks' profits would be reduced for several years as they devoted their earnings to writing off bad debts, he said.

He predicted that no big Japanese bank would face a severe crisis as a result of mounting bad loans but cautioned that the outlook was less reassuring for smaller institutions.

He said it was likely that the authorities would have to orchestrate rescue operations among the smaller banks, some of which may have to merge with larger institutions.

● Land prices continued to fall in the three months to October, according to a report published yesterday by the National Land Agency.

The report based on a survey of 804 sites around Japan found that residential land prices around Osaka were 30 per cent below the same period last year, while in Tokyo and its environs prices at more than 60 per cent of sites fell by 3 per cent or more.

Taiwan acts to help ailing stock market

TAIWAN'S finance ministry announced a long-awaited package of 18 measures to rescue the country's slumping stock market late on Tuesday, in an attempt to lure money back to the market and to encourage investment by foreigners, Reuter reports from Taipei.

The ministry said that it would ask the government's postal savings system and labour pension funds to buy shares. That would provide up to T$20bn ($513m) of new money for stock investment, newspapers said.

Restrictions on remittances of funds by foreign investors will be eased, the ministry said. Foreign fund managers have long complained that curbs on remittances of capital and profits to their home countries deter investment.

The ministry said it would relax rules to let securities firms provide more margin loans to investors. Government shares in privatisation exercises would be auctioned rather than offered at a fixed price. Mr Lai In-jaw, deputy finance minister, said: "We believe the measures will have a positive effect on liquidity in the market."

Disillusioned investors, their confidence shattered by a serious share scandal and a series of stock payment defaults totalling T$9bn (£230m) in September, were in no mood to buy strongly yesterday.

The weighted index closed only 36.36 points or 1 per cent higher at 3,570.89, compared to a 20-month low of 3,351.53which was attained on September 26.

See World Stock Markets

Burmese junta sports reformist robes

Victor Mallet examines the military's commitment to political and economic change

BURMA'S ruling military junta has wrong-footed some of its fiercest critics with a steady stream of announcements on political and economic reform over the past six months. .

The State Law and Order Restoration Council (Slorc) has released hundreds of political prisoners, lifted a night curfew, re-opened universities, eased restrictions on foreign tourists and journalists, and reached a tentative agreement with Dhaka on the return of thousands of persecuted Burmese Moslems who sought refuge in Bangladesh.

The generals have also promised to hold a convention on a new constitution in January, sought to accelerate a four-year-old economic liberalisation programme and announced the partial privatisation of state factories.

The changes have sparked agonised debate among diplomats in Rangoon who were once united in outrage at Burmese human rights abuses. There is division between those who favour renewing foreign aid to Burma – suspended after army suppression of the pro-democracy uprising in 1988 – and advocates of continued isolation.

The isolationists contend that international pressure, and Burma's shortage of cash, is partly responsible for the Slorc's reforms; They say pressure should be maintained to secure the release of Ms Aung San Suu Kyi, the detained opposition leader.

The advocates of renewed foreign aid argue that another uprising would lead to another military crackdown. They argue it is better to foster economic growth and encourage the creation of a middle class which could gradually use the political institutions established by the Slorc – and eventually challenge the power of the military establishment.

The Pepsi-Cola joint venture in Burma is planning to increase production

Photograph: Victor Mallet

The Burmese people themselves appear resigned, and they say the Slorc is able to loosen its grip because it has stamped out opposition in central Burma.

No-one believes that the Slorc, which ignored the results of a 1990 election in which the opposition National League for Democracy won more than 80 per cent of the seats, has any intention of yielding power.

Most Burmese wishing to share their political views live in terror of informers. Opposition politicians who have not fled have been jailed or frightened into silence. Participants at the convention will be vetted by the Slorc, which is thought to have its own draft constitution ready for rubber stamping. "Without the participation of Aung San Suu Kyi, the national convention will be regarded as a hoax by the majority of the Burmese people," says one Burmese doctor in Rangoon.

Senior officials acknowledge their distrust of democracy and all but admit that the whole process is window-dressing.

"We are moving towards true democracy, democracy in which there will be party pluralism," declared Col Ye Htut, a *de facto* government spokesman, at a recent meeting with foreign journalists. But a moment later he added: "The solution to problems in this country is not democracy. It is national unity. However, since the general public desire a multi-party democratic system, then this must be done by us."

As if it to underline its determination not to relinquish political control, the Slorc in October issued six "objectives" for the national convention. One of these stated that the army would have "the leading role" in future national politics.

The Slorc's economic reforms, however, have started to take root. For the past four years, the government has nurtured the private sector and accepted the failure of state-controlled enterprises under the previous military government's "Burmese Way to Socialism".

Mandalay, straddling the main trade route from China, is booming. In the capital Rangoon, newly-opened private restaurants are thriving, and the first private bank has opened its doors.

Local businessmen are already drawing parallels between Burma and China, where the unchanging nature of the political system has not stopped economic reform or rapid growth. "More or less they are following the Chinese model," says one Burmese banker. "The ruling party is still in control but in the economic sphere they are adopting gradual reforms."

Foreign investors are vying to take over and refurbish the country's state-owned hotels, the new Pepsi-Cola joint venture is planning to increase production. Thai and Australian entrepreneurs are setting up businesses. South Korean, Singaporean and Hong Kong companies have already established factories to make textiles and electrical goods.

However, formidable obstacles still block the path to Burma's international rehabilitation. The generals, for all their rhetoric, are wary of the free market and point fearfully at the destabilising effects of economic reforms in the former communist states of eastern Europe.

Potential investors in Burma are still deterred by corruption, bureaucracy, the poor state of transport and communications and the Slorc's reluctance to devalue the kyat, the local currency which trades on the black market at a twentieth of its official value.

In addition, the Slorc does not know what to do about Ms Aung San Suu Kyi, who won the Nobel Peace Prize in 1991. She has refused to leave the country and remains under house arrest. The soldiers standing guard in full public view outside her home on Rangoon's University Avenue are a continuous reminder that, although there has been some change, there is scope for much more.

It took John Fisher minutes to connect his computer to his printer.

How did I connect a laser printer to my computer?

① I looked on the back of the PC, and found the parallel printer port, and plugged in the cable.

② I opened the "Main" icon.

③ I opened the "Control Panel".

④ I double-clicked on the printer's icon in the Control Panel.

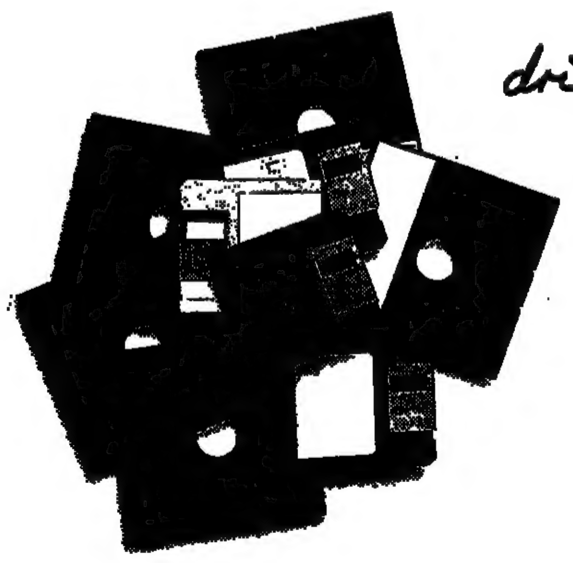
⑤ I clicked on "Add >>".

⑥ I saw the list of "Printer Drivers...."

⑦ I saw my printer listed and then selected the "non-Postscript" version.

⑧ I clicked on "Install" and then I got another dialogue box that asked me to

⑨ Insert the Software Operating System disk where the driver is found.



⑩ The printer was now installed on the default port LPT1.

⑪ Then I printed.

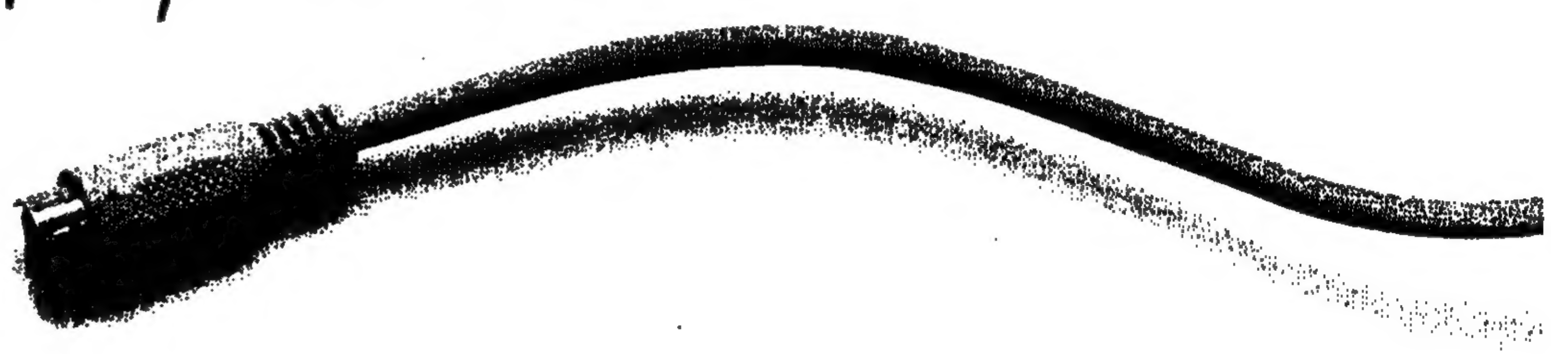
It was really easy John Fisher

One more of the little things that makes a Macintosh a lot easier. A Macintosh doesn't ask you to go through a complicated process to add a new printer. Plug in any Apple printer and you're ready to go. (Or, add most other printers with a few clicks of a mouse.) Macintosh computers don't expect you to install complicated networking cards or expensive file sharing software if you

The Apple logo is a registered trademark, and Apple and Macintosh are trademarks

It took Betty Midland seconds to connect her Macintosh to her printer.

I I looked on the back of the Macintosh for the plug with the little picture of a printer under it. I plugged in the cable from the Apple printer.



II I selected the Chooser (so named because it lets you choose), saw the name of my printer, and selected it.

III Then I printed.

That's all it took.

Betty Midland

want your computers to work together - just connect them together with a simple cable. You can set up a Macintosh in seconds, and learn to use one in minutes. No other computer makes it so easy to do so much. For more information, dial 100 and ask for Freefone Apple. **A Macintosh never asks you to do what a computer should do.**

Apple

Whitehall knew of chemical weapons link

By Daniel Green and Alan Friedman

THE GOVERNMENT knew in 1988 that Matrix Churchill was selling precision engineering equipment to a chemicals weapons manufacturer, Industrias Cardoen of Chile, which was also the main arms supplier to Iraq.

Matrix applied for export credits on behalf of that manufacturer to the Export Credit Guarantee Department (ECGD), the then government-owned body which underwrites loans for export contracts.

Previously secret Whitehall documents also note that such equipment was "essential to the manufacture of nuclear weapons".

The Department of Trade and Industry nevertheless approved the equipment for export, saying there was no evidence that the tools were being put to military use.

But the Foreign Office, objecting to the granting of a licence, said the DTI arguments were "to say the least, disingenuous".

Documents on Industrias Cardoen circulated in January 1989 in the ECGD said: "Matrix Churchill initially came in for [insurance] cover on [an] arms/chemical manufacturer in August 1988. It seems they [the arms manufacturer] are involved in chemicals weapons manufacture."

Mr Robert Lemin, an associate director of Sedgwicks, the insurance broker to Matrix Churchill, also voiced concerns to the ECGD that sales to Cardoen "would be used to manufacture munitions".

This view was repeated almost two years later at the ECGD's short-term export credit headquarters in Cardiff in a letter from Mr Paul St John Miller, regional director of the ECGD's Birmingham regional office.

He wrote: "Goods were apparently destined for Iraq to be incorporated into a chemicals weapons factory."

Industrias Cardoen was one of the leading suppliers of arms to Baghdad during the 1980s. It is estimated to have sold nearly $500m worth of cluster bombs to Baghdad as well as plans for a turnkey bomb factory that was built in Iraq.

Cardoen has also been rumoured to have had links to a chemical weapons plant in Paraguay that was assisting Iraq, but has denied such links.

Apart from the logistical reasons for Matrix Churchill's sales to Iraq through Cardoen, the Chilean company provided a means for the Iraqis to pay their suppliers.

Mr Miller wrote in November 1990: "Cardoen would be paid by the Iraqis in local currency and then use that currency with Iraqi government authority, to purchase crude oil from . . . Iraq. That crude oil to be on-sold immediately."

This allowed Iraq to avoid using hard currency while allowing Cardoen to receive dollars from a barter deal.

A few weeks earlier a Ministry of Defence working group was drawing parallels between the British contribution to Iraqi arms manufacturing capabilities and the 1989 scandal over a German project to build a chemicals weapons plant in Libya.

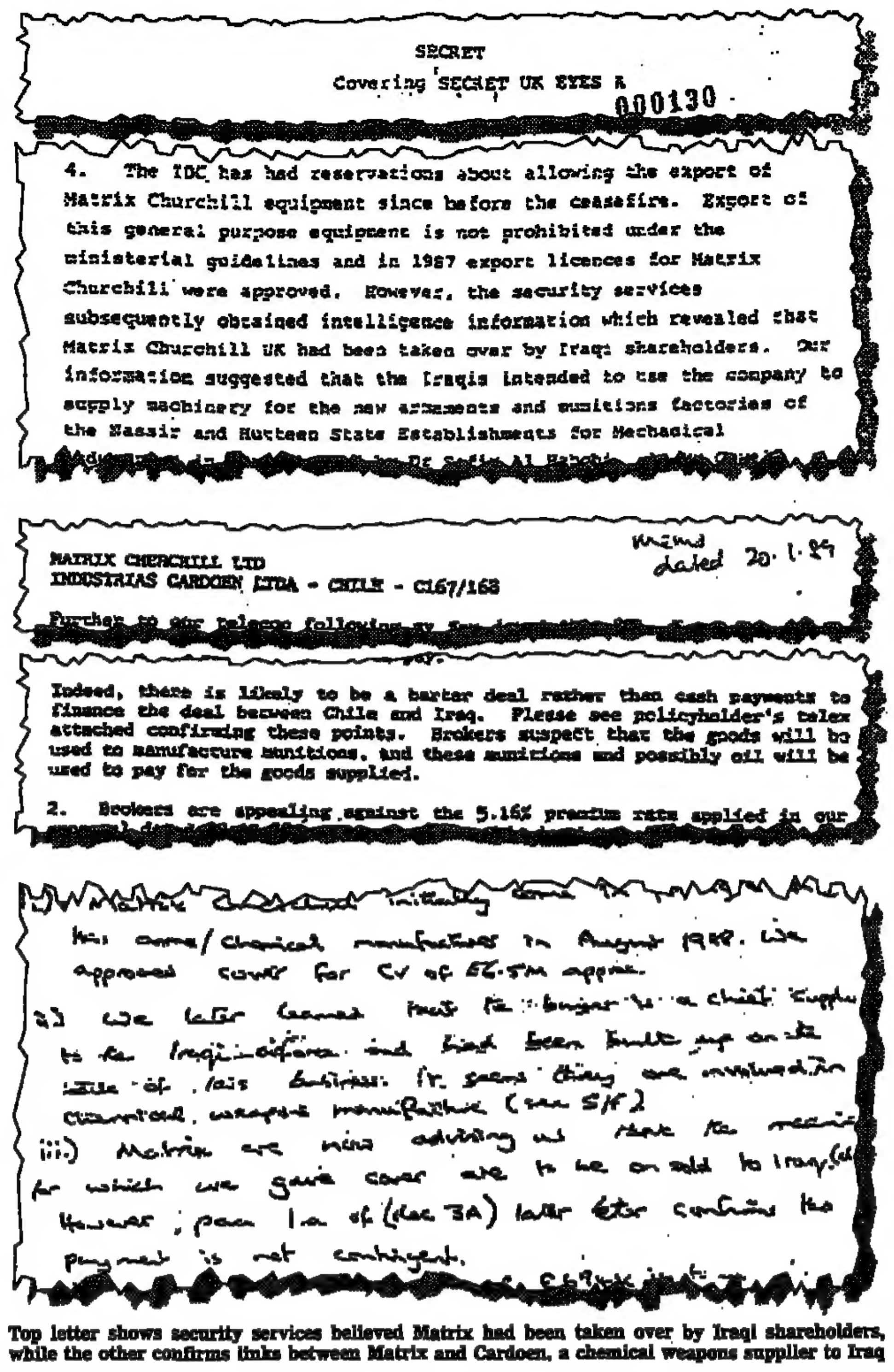
The working group singled out "our machinery manufacturers" as helping "Iraq towards the setting up of a major arms R&D and production industry".

It said that this contribution to an indigenous arms industry was "often unwilling, but sometimes not". It compiled a list of export licences that it said could have contributed to the setting up of Iraq's arms industry. They included:

- Vacuum precision furnaces for making aircraft components.
- Ingot moulds "to make gun barrels and tank parts".
- An application from Racal to work on a factory producing military radars.
- An application from MSA (Britain) of Reading, Berkshire, to make batteries "used chiefly in missiles and shells".
- An application from Magmum Industrial Products to set up a specialised military parachute factory.
- Matrix Churchill lathes capable of producing 500,000 155mm shells a year.

Such shells could in principle be used to deliver chemicals.

US troops with Iraqi weapons, including rocket propelled grenades, captured during the Gulf war



SECRET

Covering SECRET UK EYES A

000130

4. The IDC has had reservations about allowing the export of Matrix Churchill equipment since before the ceasefire. Export of this general purpose equipment is not prohibited under the ministerial guidelines and in 1987 export licences for Matrix Churchill were approved. However, the security services subsequently obtained intelligence information which revealed that Matrix Churchill UK had been taken over by Iraqi shareholders. Our information suggested that the Iraqis intended to use the company to supply machinery for the new armaments and munitions factories of the Nassir and Hutteen State Establishments for Mechanical

MATRIX CHURCHILL LTD

INDUSTRIAS CARDOEN LTDA - CHILE - C167/168

memo dated 20.1.89

Indeed, there is likely to be a barter deal rather than cash payments to finance the deal between Chile and Iraq. Please see policyholder's telex attached confirming these points. Brokers suspect that the goods will be used to manufacture munitions, and these munitions and possibly oil will be used to pay for the goods supplied.

2. Brokers are appealing against the 5.16% premium rate applied in our

has arms/chemical manufacturer in August 1988. We approved cover for CV of £6.5m approx.

2) We later learned that the buyer is a chief supplier to the Iraqi [illegible] and had been built up on the [illegible] of its business. [illegible] are involved in chemical weapons manufacture (see S/F)

iii) Matrix are now advising us that the machines for which we gave cover are to be on sold to Iraq [illegible] However, para 1a of (doc 3A) later letter confirms that payment is not contingent.

Top letter shows security services believed Matrix had been taken over by Iraqi shareholders, while the other confirms links between Matrix and Cardoen, a chemical weapons supplier to Iraq

Labour accuses ministers of lies on immunity

By Ralph Atkins and David Owen

FRESH allegations by opposition parties that ministers had covered up the extent to which they helped an Iraqi arms build-up yesterday reignited the political storm over the collapse of the Matrix Churchill case.

Labour accused the government of lying over the reasons why four ministers signed "public interest immunity" orders trying to stop the release of hundreds of documents setting out apparent attempts by the government to reinterpret the arms embargo imposed on Iraq since 1980.

Its attack came as Mr Paddy Ashdown, Liberal Democrat leader, escalated the row by pinpointing Mr John Major for attack. He asked him to set out whether, in spite of remarks in the Commons to the contrary, he was aware of the extent to which defence-related equipment had been sent to Iraq.

Mr Robin Cook, Labour's trade and industry spokesman, said that a certificate signed by Mr Tristan Garel-Jones, a foreign office minister, showed the government was wrong to claim ministers had no alternative to signing the orders.

Mr Garel-Jones wrote: "The purpose of this certificate is to explain to the court why, for reasons of public interest, such documents should not be so disclosed."

He argued that it would be against the public interest to release documents revealing the identity of informants whose security might be jeopardised, intelligence material, or the process of providing ministers with advice.

But Mr Cook said: "Citizens should not have their liberty put at risk because the government claims immunity for documents vital to their defence."

The row descended into angry row over the legal precedent for using public interest immunity in a criminal case. Mr Cook quoted remarks by Lord Kilmuir, who in 1956 was lord chancellor, saying that in the case of documents "relevant to the defence in criminal proceedings, crown privilege should not be claimed".

Downing Street retaliated by releasing selections from judicial rulings dating from 1846 to back up its case.

Mr Garel-Jones was not commenting last night but Mr Michael Heseltine, trade and industry secretary and another signatory of the orders, said on BBC television that he was "merely carrying out my duty".

Mr Heseltine added: "In so doing I was asking the judge to make a decision as to whether these documents should be used in the course of justice." Asked about the form of words used by Mr Garel-Jones, he replied: "He is doing the same thing."

Separately, Mr Ashdown challenged Mr Major over a letter the prime minister sent him in December 1990 saying that the guidelines on arms to Iraq had been observed. Mr Ashdown asked Mr Major if "you aware of the fact that the undertaking appears to have been so clearly breached in each of the four proceeding years".

In spite of announcing on Tuesday the setting up of a judicial inquiry into the Matrix Churchill affair, Downing Street last night appeared to indicate that Mr Ashdown should be given a substantial answer, saying that files were being "trawled".

Meanwhile Sir David Steel, the Liberal Democrat MP, called on Lady Thatcher to say whether she will give evidence to the inquiry. Many of the allegations refer to the period when she was prime minister. Last night her spokesman said she was not commenting at present but was watching how the situation developed.

Shifting sands of sales to Iraq

David Owen and Ralph Atkins on contrasts between public and private faces of policy on equipment exports to Saddam

PREVIOUSLY classified government documents released during the Matrix Churchill trial reveal a stark contrast between the public and private utterances of ministers and civil servants regarding the export to Iraq of equipment with possible military applications.

In public, Mr John Major and other ministers were conveying the impression that policy since the formulation of the guidelines for exports to Iraq in December 1984 had remained unchanged and that defence equipment was being rigorously screened out.

On January 31 last year, for example, Mr Major, said at prime minister's question time: "There is a considerable degree of sensitivity about the supply of arms and equipment. As the Rt Hon gentleman [Sir David Steel] will know, for some considerable time we have not supplied arms to Iraq for precisely that reason."

Two weeks earlier, Mr Douglas Hurd, foreign secretary, told the Commons: "We have not been arming Iraq. We have been applying, at some cost to our manufacturers, an embargo against it since the beginning of the Iran-Iraq war."

Behind the scenes, ministers and officials spent a great deal of time debating how the guidelines could be manipulated and later modified.

They were certainly changed once – in December 1988. They may have been amended again – or even done away with altogether – at a meeting chaired by Mr Hurd on July 19, 1990, two weeks before Saddam Hussein invaded Kuwait.

The removal of the guidelines was being advocated by some as early as October 1989. A "secret" memo addressed to Mr William Waldegrave, then a foreign office minister, urges: "We should. . . continue to resist the proposal to abolish the guidelines on arms sales to Iran and Iraq."

Throughout 1989 and until last year the standard public response to questions about defence-related exports remained more or less consistent. But, with hindsight, the answers had the sufficient element of vagueness to accommodate the changes that were being made in private without appearing to mislead MPs.

Typical of the answers given in this vein was one on April 20 1989 by Mr Alan Clark, then a trade minister, to Mr Chris Mullin, Labour MP for Sunderland South.

Mr Clark wrote: "There are no plans to change the current restrictions on the export of arms to Iraq which impose an embargo on the export of lethal equipment."

A day later, Mrs Margaret Thatcher, then prime minister, told Mr Harry Cohen, Labour MP for Leyton, that: "The government have not changed their policy on defence sales to Iraq."

As summary records of regular inter-departmental committee (IDC) meetings make clear, the guidelines were open to being interpreted surprisingly laxly. The IDC was a body comprising Department of Trade & Industry, Ministry of Defence, and Foreign Office officials, charged with scrutinising export-licence applications to Iran and Iraq.

A summary of a meeting on September 22 1988 records that MoD representatives maintained that supply of mortar-locating radar "would not enhance Iraq's military capability. Iraq already had large numbers of such equipment supplied from the UK."

Less than a month later, the IDC recommended approval of an application for spare parts for armoured recovery vehicles. On December 1 1988 it approved "for demonstration" the export of a Marconi Quickfire artillery fire control system, as well as six shotguns and shotgun cartridges. The IDC felt "that they could be allowed to fall outside the scope of the guidelines, particularly now that the secretary of state had spoken of a more flexible interpretation of the guidelines."

Its meeting on April 28 1989 – the day the Baghdad international arms fair opened – it refused licence applications for the supply of military aircraft spares and radar but approved one for a Racal Interferometer SSL system.

As late as April 23 1990, Mr Waldegrave was continuing to insist [to Mr Bob Cryer, Labour MP for Bradford South]: "Exports of defence-related material to both Iran and Iraq are governed by the guidelines announced by the then secretary of state for foreign and commonwealth affairs in the House on October 29 1985. They are applied on a case-by-case basis in the light of prevailing circumstances, including the ceasefire and developments in the peace negotiations."

Less than two months later, on June 14 1990, a letter from Mr Michael Coolican, a DTI official, described in the Supergun report as head of its export control organisation, to his secretary of state says: "Customs have prima facie evidence that current machine tools exports from Matrix Churchill and other UK companies under licence are being routed via Chile to Iraq for arms manufacture."

Within a week, Mr Nicholas Ridley, then trade and industry secretary, had written to Mrs Thatcher arguing: "We need to reconsider the rationale of the Guidelines for defence sales to Iraq (and Iran) in the light of evidence of moves on each side towards peace negotiations and in the light of impending liberalisation of export controls agreed with Cocom partners and the trading practices of our competitors."

Briefing notes that appear to have been prepared for the minister of defence procurement, dated two days before the meeting chaired by Mr Hurd on July 19 1990 recommend that the minister "press for acceptance that machine tools be allowed as exports to Iraq and Iran".

The MoD's preferred option – two weeks before the Iraqi invasion of Kuwait – would be for "no special export controls" on either Iraq or Iran. It notes: "HMG guidelines have lost whatever relevance they might have had now that there has been a ceasefire for over two years. If we do not sell defence-related equipment other countries will."

The second MoD preferred option would be to revert to a prohibition on export of "lethal" equipment. MoD was to press for weapon platforms (including aircraft, communications equipment and spares (eg tank spares) to be excluded from definition of lethal.

On October 29 1990 with Iraqi troops in Kuwait City, Mr Alan Clark, then a defence minister, wrote that: "The Defence Export Services Organisation, in all its assistance to industry, has scrupulously followed government policy as it has developed in relation to military sales to Iraq."

Use of PII certificates is thrown into doubt

By John Mason

THE legal position of the three cabinet ministers who signed public interest immunity (PII) certificates to prevent confidential government documents being used as evidence in the Matrix Churchill trial was still being questioned yesterday.

This was despite the assurance by Sir Nicholas Lyell QC, the attorney-general, on Tuesday that the ministers had a duty to try to stop the documents being used in court.

Sir Nicholas told the Commons that when publication of official documents was against the public interest, ministers had no discretion and had to ask the courts for their publication to be prevented.

Mr Michael Heseltine, the trade and industry secretary, yesterday justified his signing of the PII certificates by saying he had consulted the attorney-general beforehand who gave him the same advice.

However, one leading QC with considerable experience of PII cases maintained that ministers would always have some discretion. This would apply in deciding whether publication would be against the public interest. "That initial value judgment always has to be made," he said.

A leading criminal solicitor was concerned that in cases such as Matrix Churchill such decisions would be taken in practice by civil servants.

However, lawyers agreed it was incorrect to suggest that PII could not be used in criminal cases. In a recent Court of Appeal ruling, Lord Justice Mann made it plain that it could and that it was for the trial judge to balance the conflicting claims of interest.

Lathes trial 'was to hurt the DTI'

By John Mason

THE Matrix Churchill trial was brought by Customs in an attempt to embarrass the Department of Trade and Industry, a solicitor for one of the three men cleared of illegally exporting machine tools to Iraq claimed yesterday.

Mr Nicholas Devine, of Blythe Liggins, solicitors for Mr Trevor Abraham, the company's former commercial director, made the claim after announcing he was considering suing Customs for alleged malicious prosecution of his client.

It would be necessary to establish negligence or fraud to prove the prosecution had been malicious, he said.

He added: "It has been suggested from an early stage that the whole thing was prompted by internecine strife between Customs and the Department of Trade and Industry.

"A former DTI Minister and three civil servants in his department were put up on a stand to be shot at, embarrassed by cross-examination and made to look foolish."

He claimed Customs should have abandoned the case long before it went to trial.

"There is certainly evidence which would suggest it should never have been begun. Someone somewhere in Customs was in possession of all the facts, all the details, all the evidence and must have known the case was ill-founded and yet allowed it to proceed."

Mr Devine said documents detailing the government's "hidden agenda" of arms sales to Iraq and awareness of the nature of Matrix Churchill lathes contracts had been available to prosecutors at an early stage. "These men were accused of misleading the DTI by prosecutors who must have known there hadn't been any misleading," he said.

Trevor Abrahams toasts victory after the case collapsed

Bush administration 'knew about arms network'

By Alan Friedman in New York

MR JAMES BAKER, the outgoing US secretary of state, in March 1989 approved the worthiness of the Ohio affiliate of Britain's Matrix Churchill to do business with Iraq, in spite of the fact that the State Department was the recipient of US intelligence reports which described Matrix as an Iraqi military procurement front company more than three months before.

Documents obtained by the Financial Times and previously described in Congress show that Mr Baker signed the Matrix Churchill certification on March 14 1989. The approval by Mr Baker was sought by Baghdad because Iraqi law required the certification of any US company seeking to become a contractor with Iraq.

Accompanying the Baker document was an authenticated certification dated February 24 1989 and signed by Mr Gordon Cooper, chief executive of Matrix Churchill of Cleveland, Ohio.

Last night a US intelligence official, who asked not to be named, said the Bush administration knew about Matrix Churchill's military procurement activities in both the US and Britain, having first received British intelligence information in 1987. "The intelligence information was shared between London and Washington, and at very high levels," he said.

According to a US official the State Department received details about the military procurement activities of Matrix Churchill in late 1988, several months before Mr Baker vouched for Matrix as a US exporter to Iraq.

The US Treasury's Office of Foreign Assets Control acted two years ago to freeze the assets of Matrix Churchill in Ohio and identified the company as an Iraqi entity involved in military procurement in the US.

Mr Henry Gonzalez, the House banking committee chairman who has been investigating the financing of Iraq's war machine by the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL), recently cited a June 1989 US intelligence report on Matrix Churchill's role in the procurement network.

Matrix Churchill's Ohio affiliate has also been named in recent court proceedings in Atlanta as a BNL-funded company involved in aiding Baghdad's military procurement. BNL Atlanta financed Matrix Churchill in both the US and Britain by way of letters of credit.

Mr Gonzalez claimed the Bush administration allowed the company to operate from Ohio "despite knowing that the network was responsible for procuring technology for Iraq's covert nuclear, biological and chemical weapons programmes as well as various long-range missile programmes".

A two-year investigation of Matrix Churchill's Ohio affiliate by the US Customs service will probably be completing its evidence-gathering process by early January. The officials investigating the Matrix case are likely to make criminal referrals to the Department of Justice early in the new year.

- Mr Kenneth Clarke, home secretary, said yesterday he did sign a Public Immunity Certificate restricting the information available about Matrix Churchill, but added: "I certainly didn't seek any immunity in order to conceal from the courts the truth."

Mr Clarke, interviewed on the BBC's World at One programme, said: "I have personally had nothing ever to do with sales of weapons to the Iraqis and I haven't sought immunity for any documents simply on the basis that they might prejudice a prosecution or be helpful to the defence. I wouldn't dream of signing any such certificate."

- Mr Michael Heseltine, trade and industry secretary, last night refused to be drawn on the relevance of documents for which he signed Public Immunity Certificates. He told the BBC's The World Tonight programme that it was not "a matter of opinion or discretion" but his duty. He stressed that the decision to make documents available which were not normally in the public domain rested with the judge and not with him.

Synod votes to ordain women priests

By Alan Pike, Social Affairs Correspondent

ENGLAND IS set to have women priests within two years, following a vote in the Church of England's general synod yesterday.

A passionate debate ended with a vote making it lawful for women to be ordained to the priesthood being carried in all three houses of the synod – bishops, clergy and laity.

The measure required a two thirds majority in each house, and opponents had expected this would prove an impossible hurdle among the synod's lay members.

Voting by the laity proved the closest of the three houses – 169 votes to 82. The bishops voted in favour by 39 votes to 13 and the clergy by 176 votes to 74.

Legislation must now pass through parliament and, although there are more than 1,000 women deacons waiting to become priests, the first ordinations are not likely to start before late 1994.

While parliament is likely to accept the decision of the church there may be opposition to a proposed scheme of financial compensation for male priests who feel they have to resign when women are ordained.

Some opponents spoke against the ordination of women on theological grounds. Others feared the damage it would do to relationships with the Roman Catholic and orthodox churches.

Others opposed the nature of the legislation which will enable individual parishes to decide whether they want the ministry of a woman.

Many of the Church's most senior figures strongly supported the proposals. Dr George Carey, archbishop of Canterbury, argued that the church's voice was in danger of not being heard in society "if women are exercising leadership in every area of our society's life save the ordained priesthood".

Dr David Jenkins, bishop of Durham, said that a "no" vote would consign women to "more years of condescension and oppression".

The Rt Rev Robert Williamson, bishop of Southwark, said that in his south London diocese he had to confront some of the chronic injustices in society.

He could not do this with any degree of integrity given the apparent injustice of the church denying women the opportunity to become priests.

The decision brings the church - the mother church of the worldwide Anglican communion - in line with a growing number of other Anglican provinces.

Women are ordained in New Zealand, Australia, Brazil, Burundi, Canada, Hong Kong, Ireland, Kenya, India, the Philippines, South Africa, West Africa, Tanzania, Uganda and the US.

The church faced divisions whichever way the vote went.

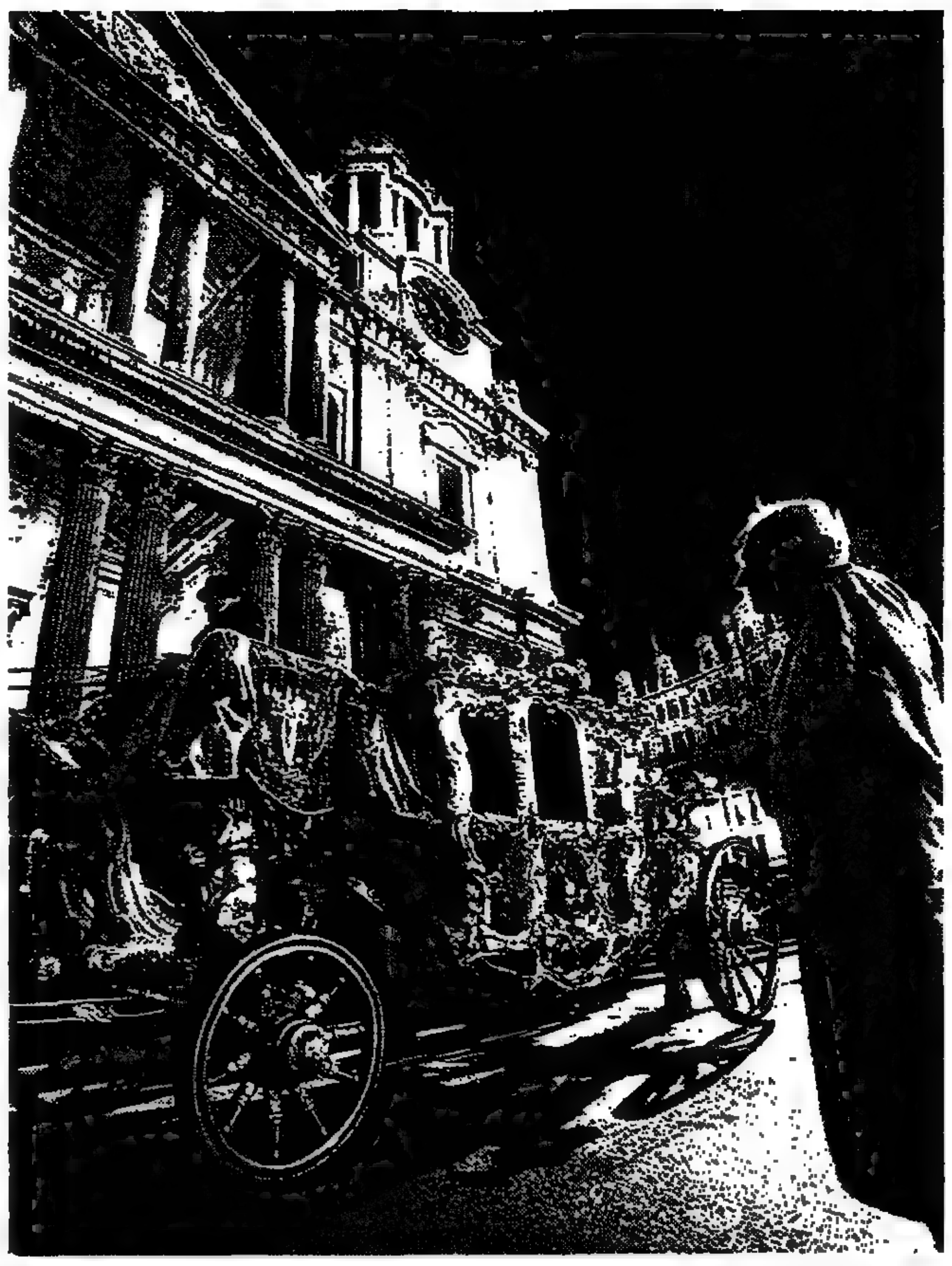
A hint of the potential difficulties ahead surfaced in the debate when the Rt Rev David Lunn, bishop of Sheffield, said that if the changes took place he did not see how it would make sense for a diocese to have a bishop who, like himself, could not wholeheartedly support the new arrangements.

The most passionate speech came from the Rev June Osborne, a woman deacon in east London, who pleaded with the synod to allow her to carry out her ministry as a priest.

But Mr John Selwyn Gummer, agriculture minister and a member of the synod, responded that the only way Ms Osborne could become a priest was by removing the male priests who felt they could not remain in the church if women were ordained.

Mr Gummer suggested he was considering leaving the church over the issue. It is thought up to 1,000 male priests might do the same.

There are about 1,400 women priests in the worldwide Anglican church. The great majority of these, more than 1,000, are in the US.



BEFORE THE LORD MAYOR'S SHOW: In preparation for the annual Lord Mayor of London's parade through the capital a full dress rehearsal takes place at 3.00am outside St Paul's Cathedral

UK gas supplier forced to sell more at lower prices

By Neil Buckley and Michael Smith

BRITISH Gas is supplying gas to four more gas-fired power stations than it wanted after being forced by Ofgas, the industry regulator, MPs were told yesterday.

Mr Robert Evans, British Gas chairman, told the Commons trade and industry committee that Sir James MacKinnon, director-general of Ofgas, encouraged the "dash for gas" by forcing BG to sell gas to generators according to fixed schedules.

BG had demanded the right to negotiate freely on prices so it could control the amount of gas it contracted to supply.

BG signed its first CCGT contract in 1990, but reduced its prices slightly to secure a second contract after orders were slow.

Early in 1991 it experienced a surge in demand for generation, temporarily outstripping the projected availability of supplies.

Mr Evans told MPs that when BG raised prices to discourage generators and restore the supply/demand balance, Ofgas forced it to lower prices and sell more gas than it wanted. BG is contracted to supply nine generating projects. But Mr Evans said it was providing only 30 per cent of the total volume of gas going to the generating market, with the balance coming from competing suppliers.

Mr Arthur Scargill, president of the National Union of Mineworkers, told the committee a temporary transport subsidy of £512m over five years would allow British Coal to sell 20m tonnes of coal into the European Community.

Mr Scargill said this would save all 30,000 miners' jobs under threat.

He said the decision to close 31 pits, 10 immediately, with the loss of 31,000 jobs could not be justified, adding the real reason for the rundown was a manipulated energy market.

PROFESSOR Stephen Littlechild, the electricity regulator, yesterday rejected accusations that he had been slow to react to the mounting crisis in the coal industry, writes David Lascelles.

Prof Littlechild is studying electricity companies' purchasing decisions to see whether they have been unfairly favouring gas over coal.

Critics say he should have made the review long ago.

Prof Littlechild said an earlier review "would have found lower gas prices than now and higher prices offered for electricity from coal-fired plant." He said on other counts – including environmental – "it simply cannot be assumed that an earlier review would have avoided pit closures and, in any case, the government has declared a moratorium."

Prof Littlechild responded to charges that he should take a more active role in formulating energy policy.

He said that, contrary to widespread views, the government did have a policy to increase the role of the market, though with a bias towards non-fossil fuels. If the regulator also formulated policy it would "confer enormous power on that person to shape the market and dictate the investment decisions on which future generations of customers will depend."

Plans for Docklands railway postponed

By Richard Tomkins, Transport Correspondent

GOVERNMENT plans to announce the go-ahead for London Underground's Jubilee Line extension as part of today's Autumn Statement on spending have collapsed.

Instead the future of the £1.8bn project remains uncertain because the private sector has yet to agree terms for contributing £400m towards the cost of building the line.

Failure to win an agreement is deeply embarrassing to the government because it had hoped to use the go-ahead for the line's construction as a centrepiece of its newly-adopted strategy for growth.

This afternoon's Autumn Statement by the chancellor fo the exchequer had been expected to set the scene for increased spending on big capital projects such as the Jubilee Line as a means of getting the economy moving.

It had also been expected to cite the project as an example of how the private and public sectors could work together to get big infrastructure projects going.

The planned extension to the Jubilee Line runs from central London through Docklands to Stratford in east London.

Some £400m of the cost of building it was supposed to have been paid by Olympia & York, the developers of the Canary Wharf project in Docklands.

When Olympia & York went into administrative receivership earlier this year, the government halted work on the project pending a new financing agreement with Canary Wharf's bankers. An agreement has still not been reached.

The government is expected to say today that it still hopes to proceed with the project once agreement is reached. The setback is likely to be presented as a delay rather than a cancellation.

It is understood that ministers have agreed to fund the public sector's share of the construction costs as part of the the current spending round provided the private sector contribution is forthcoming.

The delay to the project will bitterly disappoint local authorities and businesses in east London and Docklands, many of which have said that a failure to proceed would prove disastrous for the area.

London to pursue Ulster talks

SIR PATRICK Mayhew, Northern Ireland secretary, said yesterday that the UK government would continue to look to dialogue – not an imposed solution – to end the province's political problems, writes Ralph Atkins.

In spite of the failure of the latest set of "round-table" talks which collapsed on Tuesday, Sir Patrick said the government would "steadily persevere". He said the six months taken up by the talks, "is but a evening gone," in Northern Ireland's history.

Sir Patrick said the participants, including nationalists, Unionists and the Irish government, had shown a "marked increase in the understanding of the position taken by others and respect for them".

Mr James Molyneaux, Ulster Unionist party leader, called for more informal links between the province's political parties. Both the British and Irish governments are hopeful that a fresh set of "round table" talks could start early next year. But the Rev Ian Paisley, Democratic Unionist leader, said there would be no progress until Dublin gave up its "illegal, immoral and criminal claim over the territory of Northern Ireland".

Thousands caught in negative equity trap

By Scheherazade Daneshkhu

ONE in five houses bought in the last five years is now worth less than the mortgage on it, the Joseph Rowntree Foundation, the social research body, says in a report published today.

The survey, based on a sample of 1m homeowners, estimates that the total value of negative equity in Britain is £2.68bn, compared with £1.2bn in October last year. Of this, 99 per cent is held by people who have bought houses since 1987.

The south-east has the highest proportion of negative equity, with greater London the worst hit. Forty-one per cent of people who bought in the London area between 1988-91 had negative equity last month, with the average deficit in the same area £5,500 per household.

However, only 1 per cent of buyers in Scotland are affected. The figures increase, but are still comparatively low for the north and north-west, while the rest of the south-east and the east Midlands have the highest negative equity rates outside London. The average deficit per property across the country is £4,400.

More than half of householders who bought their property since 1987 with 95 per cent mortgages have negative equity, compared with less than 1 per cent of those with mortgages of 80 per cent.

The picture is different for homeowners who bought before the steep price increases. "Almost no one who bought before 1987 has negative equity," said Mr Daniel Dorling, one of the report's authors.

"Our research shows clearly that those who have been worse affected are people with high percentage mortgages in the south-east who have struggled to enter the property market at the bottom end. They are likely to be the least well-placed to escape from the negative equity trap."

The Extent of Negative Equity, Joseph Rowntree Foundation, 40 Water End, York YO3 6LP.

European reinsurers press UK insurers to reduce exposure to bombs

Terrorist cover may be reduced

By Richard Lapper

INSURERS are expected to reduce coverage for damage caused by terrorists on the British mainland after heavy losses from two Irish Republican Army bomb explosions in London in April.

The Association of British Insurers, the industry's trade association, confirmed yesterday that its members "were giving serious consideration" to the introduction of an exclusion clause in commercial property policies for damage and business interruption.

The move comes in the wake of the IRA's current bombing campaign and the April attacks, which included serious damage to the Commercial Union building in the City of London, and are estimated to have cost £800m.

It also follows discussions between UK insurers and their influential European reinsurers who are concerned about their own potential exposures to terrorism. As discussions at the ABI continued yesterday, it was unclear whether the exclusion would affect domestic household policies. Further details will be announced later this week.

The ABI stressed that policyholders may still be able to obtain cover by "buying back" the exclusion clause, but companies seeking insurance are concerned about the potential impact on British business.

It has already led to new demands from insurance buyers for the government to extend to the mainland the Northern Ireland scheme which compensates for damage caused by terrorists.

The Association of Insurance and Risk Managers in Industry and Commerce (Airmic), which represents insurance buyers at over 300 British companies, criticised the potential withdrawal of the exclusion clause.

"[This will] leave British industry in a grievously exposed position," it said. "It will be impossible to protect assets and earnings against a real hazard exposure."

Airmic urged the CBI to start discussions "at the highest levels" with both government and insurers to ensure "terrorist activity does not achieve a major success in its campaign to undermine the British economy."

Under the Northern Ireland scheme, introduced in 1977, the government meets most of the cost of terrorism or riot damage. Claims under the scheme amounted to £33m in the 1991-92 financial year.

Airmic said it believed the exclusion "is being promoted by the influential continental reinsurance market." Reinsurers such as Munich Re of Germany, the world's biggest reinsurer, provide extensive reinsurance coverage to British companies.

In a letter last month to UK insurers, Munich Re said "we would prefer to exclude terrorism from our reinsurance treaties." The company said talks among UK insurers had been based on "the consensus that the insurance and reinsurance industry cannot continue to pay for IRA terrorist attacks on mainland Britain."

Reinsurers are understood to be particularly concerned about the way in which bomb explosions can cause wider and more catastrophic damage than fire.

One reinsurer said yesterday that the April bomb attacks had "focussed the mind". The Commercial Union building, which was most badly damaged by the bomb in the City, "could easily have been a total loss." The exposures to terrorism must be underwritten differently, he added.

ALTHOUGH prospects for Lloyd's of London are improving, opportunities for investors in the broader London insurance market will remain limited, a report published this week by Salomon Brothers, the US securities house, has concludes, Richard Lapper writes.

The report says despite signs that many insurance companies and Lloyd's syndicates are withdrawing from the market after a run of heavy losses since 1987, it remains troubled by overcapacity. Profitability levels will therefore remain depressed for the foreseeable future.

"Price competition from continental European and other insurers ... will bedevil the efforts of London market underwriters to meet the common target of a 5-10 per cent return on premiums written," says the report. European companies are generally under less pressure to produce the same return on equity as their UK and US counterparts.

The report predicts, however, that prospects for intermediaries – which traditionally earned handsome returns on funds invested without taking direct underwriting risk, are better.

It is particularly positive about the outlook for newer, smaller and specialised brokers that have lower costs than their larger counterparts and the better managed Lloyd's agencies – which manage syndicates and handle the affairs of the Names, individuals who underwrite the market with personal wealth.

Salomon is also optimistic about the immediate prospects of the Lloyd's market, which has been threatened by a wave of litigation, following its record losses of £2.06bn in the 1989 year.

Insurer fined £100,000 by Lautro

By John Authers

LAUTRO, the life assurance regulator, yesterday fined Guardian Royal Exchange £100,000, the highest penalty it has yet imposed.

GRE, a composite insurer, had failed to monitor two agents tied to selling its life products exclusively, Centrust and Coventry Investment Group, in the three years to February 1991. Both companies are now out of business and investors are claiming compensation.

The proprietor of Coventry Investments, Mr John Steel, received a 2½-year prison sentence for misappropriation of investors' funds. Centrust's proprietor, Mr Jake Reynolds, was arrested in Cromer, north Norfolk, on Tuesday this week. He is being interviewed by police in Norwich and has not been charged.

Lautro's previous highest fine, £80,000, was levied last week on London & Manchester Assurance, also for problems arising from monitoring its tied agents.

However, Ms Julia Liesching, Lautro's chief policy and administration officer, denied there had been a toughening of the regulator's stance. She said that procedures had been improved and the disciplinary process speeded up, leading to a faster resolution of cases.

Mr Peter Buckell, a spokesman for the Centrust Investors' Action Groups, said he was pleased the fine had been levied, but was disappointed Lautro had not used its power to demand compensation be paid to investors. He also regretted that Lautro had taken so long to act. A group of Centrust investors plan to take legal action against GRE, he said.

Ms Jean Eaglesham, head of money policy for the Consumers' Association, welcomed the trend towards stiffer penalties from regulators.

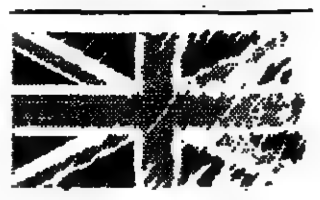
She said: "Certainly Lautro is looking a lot more effective than it did a year ago. The trend is right. Whether it is enough is another matter." She said other regulators had not been as strict as Lautro.

GRE said yesterday: "Major changes have been made to our control procedures and we make great efforts to ensure that we provide appropriate monitoring of all appointed representatives."

It has not appointed any new tied agents for 18 months and has cut its total number of agents from 900 to about 500.

The company has offered £164,000 in compensation to 30 Centrust clients, another 20 claims are being processed. Mr Buckell said he knew of 128 outstanding cases.

Britain in brief



Manchester to host green summit

Next year's world environmental summit will be held in Manchester, north west England, in September.

The meeting will tackle implementation of plans agreed at this year's summit in Brazil and is expected to be attended by many heads of government.

Britain offered to host the 1993 summit after Mr John Major's visit to Rio. Manchester beat off rival bids from London, Edinburgh, Brighton, Reading and Norwich.

The timing of the summit could not be better for Manchester's bid to stage the 2000 Olympic games.

The International Olympic Committee will also meet in September, when it will have to choose between the main contenders of Manchester, Berlin, Beijing and Sydney.

The summit will be run by the government, with a core conference of about 500 delegates, but about 2,000 people are expected for a two-week series of environmentally-related fringe events.

Manchester City Council said the city would use the summit to stress the green elements of its bid for the 2000 Olympic games.

Urban regeneration is one of the criteria the International Olympic Committee will use when it also meets next September to award the games.

'Brain set to replace brawn'

The majority of new jobs in the 1990s will require a new breed of highly-skilled "knowledge workers", a report suggests.

Published jointly by the Institute of Careers Guidance and the CREATE research consultancy, the report concludes that "brain will replace brawn".

It found that about 1.9m new jobs will be created in "skills-intensive knowledge-based" occupations, at a time when 1.2 million blue collar jobs will disappear.

The trend towards a smaller core of highly trained staff and a larger periphery of temporary and less-skilled staff will become even more pronounced, the report says.

Core staff will have better career prospects than their peripheral peers.

The research shows that four groups of service industries will create the 1.9m new jobs. Hotel and catering will create 243,000 jobs, business and financial services will create 418,000 jobs, 650,000 jobs in miscellaneous services will be created and 676,000 jobs will be created in health, education and other public services.

New age for quarries

A new generation of superquarries could be developed in Norway, Scotland and to a lesser extent Northern Spain which could ship aggregates in container ships to south-east England, according to a British government report.

The study commissioned by the Environment Department by consultants Arup Economics and Planning said the development of coastal quarries in remote regions would ease the pressure to develop new quarries in south eastern England, one of Europe's busiest construction markets.

New strike threat on Tube

ASLEF, the train drivers union, became the second union to announce it would ballot members on strike action over London Underground's plan to radically shake-up pay and conditions.

More than 75 per cent of members voted to reject the plan, mainly over extra driving time and the withdrawal of paid meal relief, on a turn-out of 65 per cent. The union said it had no option but to ballot members on industrial action.

More than 500 booking office and operating staff members of the TSSA white-collar rail union last week voted overwhelmingly to reject the plan, which would mean the loss of 5,000 jobs over five years, also triggering a ballot on industrial action.

Almost 400 workers indicated they would be prepared to take industrial action, while more than 120 said they would not – on a 35 per cent turnout. TSSA is now preparing a postal ballot on industrial action. Results should be known within a month.

London Underground, which has said staff must sign new contracts by November 23, said it was "disappointed" but that a vote against the plan would not necessarily translate into a vote for action.

Bad news on UK growth

Companies should not base new business forecasts on prospects of early growth, because neither the devalued pound nor interest rate cuts will stimulate growth quickly.

Professor Douglas McWilliams, economic adviser to the Chartered Institute of Marketing will today warn business and consumers against economic wishful thinking.

"Whatever the chancellor says today, it would be most unwise for market planners to base new business forecasts on prospects of early growth," he said.

Economic recovery will probably come forward only slightly, to late 1993 rather than early 1994.

Prof McWilliams forecasts that gross domestic product will grow by 0.5 per cent next year, and by 2.5 per cent in 1994.

Pits rescue to take two years

Measures to alleviate the economic consequences of pit closures on the coal communities will take longer than two years to implement, Lord Walker of Worcester told a parliamentary select committee.

Lord Walker, who is co-ordinating the assistance measures, told the employment select committee that while his appointment was for two years, measures would have to be implemented on a "continuing rolling programme". He said: "I will be involved as long as it is necessary."

Lord Walker indicated he would favour a more gradual programme of closures than the government originally announced.

LEGAL NOTICES

NOTICE UNDER SECTION 175 COMPANIES ACT 1985

Bazy Alan (Holdings) Ltd of 31 Dashwood Avenue, High Wycombe, Bucks, HP12 3DZ, by special resolution of the members dated 9 November 1992 has approved a payment out of capital for the purpose of acquiring its own shares by purchase.

The amount of the permissible capital payment is £30,877.00.

The statutory declaration of the directors and the auditors' report as required by Section 175 are available for inspection at the above address.

Any creditor of the company may at any time within the five weeks immediately following the 9th November 1992 apply to the Court under Section 176 for an order prohibiting the payment.

CANADIAN PACIFIC LIMITED (Incorporated in Canada)

CANADIAN PACIFIC LIMITED PERPETUAL 4% CONSOLIDATED DEBENTURE STOCK

NEW BRUNSWICK RAILWAY COMPANY 4% DEBENTURE STOCK

CALGARY & EDMONTON RAILWAY COMPANY 4% DEBENTURE STOCK

In preparation for the payment of the half-yearly interest due January 1 1993 on the above Stocks, the transfer books will be closed at 3.30 p.m. on November 30 1992 and will be re-opened on January 4 1993.

D.R. KEAST
Deputy Secretary
62-65 Trafalgar Square, London WC2N 5DY
November 12 1992.

GREEK EXPORTS S.A.
REPEAT TENDER FOR THE HIGHEST BID

GREEK EXPORTS S.A., registered office in Athens (17 Panepistimiou Street) and in its capacity as Liquidator in accordance with article 46a of Law 1892/1990, as supplemented by article 14 of Law 2000/1991, following the written statement (Ref. No. 604 of 4.11.1992) of the creditor of para. 1 of the above article, that the offers submitted are not considered to be in the interests of the creditors and in accordance with para. 11 of the same article

ANNOUNCES

a repeat public tender for the highest bid with sealed, binding offers for the purchase in toto of the assets of HELLENIC TEXTILES S.A. registered in Athens at 13 Amerikis Street. The factory is situated at 54 Kifisson Avenue near the crossroad with Lenorman Street. The industrial complex has been built on a plot of land 31,511 m² in area and the buildings stand on an area of 19,383 m² of the plot while the total covered area of the complex is 28,412 m².

TERMS OF THE TENDER

1. For this purpose, interested parties are invited to receive from the liquidator the Offering Memorandum and submit a sealed, binding offer to the notary public appointed to the tender, Mrs. Panayota Spyridonos Stassinopoulou, 71-73 Academias Street, Athens, 7th floor, tel. 30-1-361.1965 up to 10th December 1992 at 1900 hours. Bids must be submitted in person or by a legally appointed representative.

2. The bids will be unsealed before the above notary on 11th December 1992 at 1000 hours with the liquidator in attendance. Bidders who have submitted their offers within the prescribed time limit may also attend.
Bids submitted beyond the prescribed time limit will not be accepted and will not be taken into account.

3. The sealed offers must clearly state the purchase price offered for the assets, in toto, of the company, and must be accompanied by a letter of guarantee from a bank legally operating in Greece to the amount of a hundred and fifty million drachmas (150,000,000 drs.) or its equivalent in US dollars (U.S.$.)

4. The Company's assets and all fixed and circulating constituent parts thereof, such as immovable and movable property, claims, trademarks, titles, rights, rights for mineral ore exploration, etc. are to be sold and transferred "as is, where is" and, more specifically, in their actual and legal condition and location on the date on which the sale contract is signed, regardless of whether the Company is operating or not, and with the proper legal procedures.

5. The Liquidator, the Company and the creditors representing 51% of the total claims against the Company (Law 1892/20 article 46a, para. 1 as in force), known hereafter as the Majority Creditors, shall bear no liability for any legal or actual defects or for any deficiency in the effects and rights for sale nor for the possible refusal of the State to approve, as required, the transfer of elements of the assets, nor for their incomplete or faulty description in the Offering Memorandum and in any correspondence. In the event of inconsistencies, entries in the Company's books, as they stand on the date of signature of the sale contract, shall prevail.

6. Prospective buyers, hereinafter referred to as "Buyers" shall be obliged, on their own responsibility and due care, and by their own means and at their own expense, to inspect the object of the sale and form their own judgment and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale. The Buyers are hereby reminded that, in accordance with the provisions of Law 1892/90, article 46a, para. 4 as in force, having agreed in writing to maintain confidentiality, they are entitled to have access to any information they may require concerning the Company for sale.

7. Bids should not contain terms which might prevaricate their bindingness or any vagueness concerning the offered price and its method of payment, or any other matter of importance to the sale. The Liquidator and the Majority Creditors have the right, at their incontestable discretion, to reject offers which contain terms and conditions, irrespective of whether these offers contain a higher price than that of other bidders. Such unacceptable terms would be, for example, requests for the repair, improvement or transfer of fixed assets, or requests for guarantees in the collection of claims or the outcome of court actions brought by the Company in this respect, or compliance with recommendations regarding the security of the installations, or for safeguarding the insurance cover, etc.

8. In the event that the highest bidder fails to appear and sign the relative sales contract within twenty (20) days from being invited to do so by the liquidator, or fails to abide by the obligations accruing from the present announcement, the above amount of one hundred and fifty million drachmas (150,000,000 drs.) deposited in guarantee, is forfeited in favour of the liquidator to cover all expenses of any kind and time spent, and any actual or hypothetical loss, without any obligation to give an accounting or consider it has been forfeited as a penalty clause, and collect it from the guarantor bank. Guarantees deposited for participation in the tender are returned to the other participants after the evaluation report has been approved and the adjudication to the highest bidder has been ratified by 51% of the creditors.

9. The highest bidder is the person whose offer has been so judged by the liquidator and approved by 51% of the creditors as being in their best interests.

10. The liquidator has no liability or obligation to participants in the tender, both with regard to the drafting of the evaluation report and to the proposal of the highest bidder. Also, the liquidator is not liable and has no obligation towards participants in the tender in the event of its cancellation or repetition, if the results should be deemed unfavourable by the creditors.

11. Those taking part in the tender and submitting offers do not acquire any right or claim accruing from the present tender or the adjudication to the highest bidder, against the liquidator and the creditors for any reason or cause.

12. Transfer expenses (taxes, stamp duty, notary and mortgagor fees and other expenses for drafting topographical plans in accordance with Law 651/77, etc.) are borne by the buyer.

For any information, interested parties can apply to:

a). *The Head Office of E.T.B.A. S.A., Directorate of Public Holdings* Tel. 30 1 92 94 395 and 30 1 92 94 396 and to

b). GREEK EXPORTS S.A., Tel. 30 1 32 43 111 to 30 1 32 43 115

GREEK EXPORTS S.A.

MANAGEMENT: MARKETING AND ADVERTISING

Australian vintners are poised to compete with Europe at the premium end of the market, writes **Kevin Brown**

An escape from Château Chunder

Australia's winemakers have enjoyed phenomenal export success over the last decade, mainly by producing good-quality wines at prices which often make competing French, German and Italian wines look like poor value for money.

Export sales are up by nearly 800 per cent to 77.5m litres since 1984, and the Australian Wine and Brandy Corporation (AWBC) is forecasting overseas sales of 400m litres by 2000.

Growth on that scale would increase Australia's share of the world export market from about 1.5 per cent to 5 per cent, worth about A$1bn (£400m) in export revenue at current prices. But while there is almost unanimous agreement among winemakers that Australia is producing the products required to achieve these targets, some disagreement is emerging about the marketing strategy required.

The wine houses do not put it this way, but much of the 1980s' growth was almost accidental. Large-scale exporting began for the most part as a way of disposing of a surplus which was depressing prices in the domestic market.

It was only when the trade was well under way that the bigger companies began to realise the opportunities it offered. "Twenty years ago, no one in Australia thought that we could compete with the French in Europe on quality and price," says Perry Gunner, chief executive of Adelaide-based wine company Orlando Wyndham.

"But when we started looking closely at the market, we were astonished at the prices that people were prepared to pay for mediocre French wines, and we quickly realised that quality was not a problem."

Nevertheless, Australian producers had to start at the bottom of the market, and have had to work hard to overcome what Brenton Roneberg, AWBC marketing manager, describes as the "Château Chunder" image.

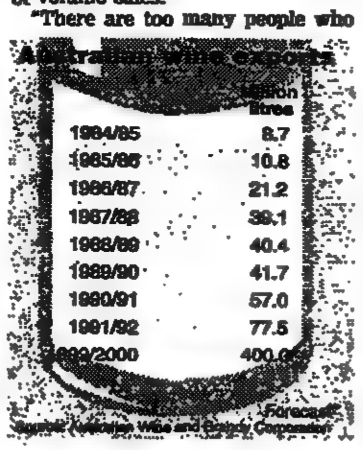
The perception has changed over the last five years, mainly as a result of glowing reviews by wine writers. According to the AWBC, about 80 per cent of the wine exported to the UK now sells for more than £3, accounting for about 12 per cent of sales above that price. Some wines, notably Orlando Wyndham's Jacob's Creek range, have higher sales overseas than at home.

But success is rarely problem free, and alarm bells are beginning to ring in some wineries as winemakers wonder how long the industry can sustain growth rates of more than 70 per cent a year.

Ray King, chief executive of Mildara Blass, points out that Australia would have to double its share of the UK mid-price market to achieve the industry's targets for the next eight years. That is unlikely to be an easy task, given that the overall UK market is unlikely to grow much because of lifestyle pressures on alcohol products, which are common to most western markets.

King also claims that many Australian companies are earning a return on investment which is less than a third of the average for other industries, mainly because prices have been set too low in the pursuit of volume sales.

"There are too many people who are waxing lyrical about the marvellous success of the Australian wine industry overseas," he says. "There is no way that the guys who are selling their stuff at these prices are going to come out in front. "There is no question that Australia produces the best value for money wine in the world. But we could do almost as well in volume terms and be profitable at the same time by raising our prices."



Australian wine exports

	Million litres
1984/85	8.7
1985/86	10.8
1986/87	21.2
1987/88	39.1
1988/89	40.4
1989/90	41.7
1990/91	57.0
1991/92	77.5
1999/2000	400.0*

*Forecast. Source: Australian Wine and Brandy Corporation

Ross Wilson, chief executive of SA Brewing, which owns the big-selling Penfolds label, says a unilateral price rise is impossible because Australia does not have the marketing clout to dictate prices in international markets. But, like most winemakers, he agrees with King that Australian producers "have got to be there in that higher price sector of the market, or they are not going to survive".

According to Robin Day, technical director of Orlando Wyndham, the solution is likely to be a growing emphasis on premium products, sold through hotels and restaurants, as well as the off-licences and supermarket chains which have been the main growth areas in the past.

Robin Day: looking to hotels and restaurants to boost both the profile and profit margins of up-market wines

Penfolds and Orlando, the two biggest companies, are both putting increasing effort into producing high-quality brands capable of competing with higher-priced continental European wines.

"In general, the Australian wine industry is a price taker in the overseas market because we are largely in the commercial [down-market] category. The challenge for us is to build products that will take us into the premium end of the market," says Gunner.

That means a much higher profile for higher-priced wines such as Orlando's new Saint range, its fruity Montrose wines from western New South Wales, and the Hunter Valley chardonnays produced under the Wyndham label.

But moving up-market is a long-term project which depends on the slow business of winning credibility and changing market perceptions. In the meantime, the industry has to protect the market for its existing products.

"There are still a lot of shelves around the world without any Jacob's Creek on them. We know we can sell more, and we would be silly to take our eye off that ball before we have really rammed it home," says Gunner.

Conga drums to Christmas trees

Nikki Tait on the proliferation of US mail-order catalogues

Fancy sending your in-laws a glockenspiel for Christmas? Or a glow-in-rain umbrella? Or perhaps some "dream-catcher" earrings? Then heaven forbid that you should trudge the high streets and shopping centres in search of such perfect presents. The US catalogue industry, reaching new heights of inventiveness, would be happy to oblige.

The outpouring of glossy retail catalogues ahead of the holiday season in the US is hard for non-residents to visualise. Officially, the industry calculates that around 8,000-10,000 catalogues are in circulation, but the unsolicited pile amassed by one Manhattanite over the past two months makes the point more vividly. It is nine inches high, weighs 15 pounds and is still growing.

In part, the popularity of mail order reflects North America's multitudinous geography, with the result that postal shopping has long been more deeply engrained in a US consumer's psyche than a European counterpart's.

Nevertheless, the industry's dimensions are still sometimes overlooked. Today, around 96m people – almost half the nation's population – are reckoned to do some shopping by catalogue and, according to the Direct Marketing Association, they spent around $48.8bn (£32.8bn) in the process last year, up from $35.7bn in 1987. But even catalogue retailers are battling against a tougher economic climate. Consultants at Deloitte & Touche, for example, calculate that total catalogue sales were increasing, year-on-year, at double-digit rates during the late-1980s. In 1990 and 1991, the annual growth rate suddenly plunged to around 6 per cent, where it is forecast to remain for the rest of the 1990s.

Admittedly, this means that the catalogue sector is still faring better than the retail sector overall, where turnover was essentially flat last year. But it has come down to earth with a bump.

For consumers, this tougher trading environment has been largely beneficial. As the battle for shoppers' dollars has intensified, retailers have stepped up their marketing efforts, particularly in the holiday season when some catalogue operators can land up to two-thirds of their annual sales.

Price-based promotional activity is an important element in this new game. Last year, for example, a number of catalogue retailers offered discounts ranging between 15 and 40 per cent if goods were ordered within a specific period or before a certain date.

This year, even the classy Neiman Marcus "Christmas Book" – as integral to the holiday season as the Macy's Thanksgiving parade – makes concessions to the recessionary climate. Four pages at the front of the catalogue are devoted to gifts costing less than $25 and there are another four pages of presents for less than $100.

But industry-watchers say that attention to price, while important, is only part of the picture. "Retailers are still hitting quite hard on price," comments Ginny Daly, at Daly Direct Marketing in Maryland. "But what I've really noticed this year is more emphasis on niche areas."

There is no want of variation in the catalogues landing through US shoppers' mail boxes. For example, a "personics catalogue" – which allows customers to make up personalised tapes from the wide selection of songs – jostles alongside offerings from The Nature Company, where "ultra-green" products range from a seed-saving bird-feeder to fuzzy dinosaur Christmas tree ornaments.

In the very best cases, these niche sales efforts gets combined with more innovative sales techniques. For the past couple of years, "Anyone can Whistle", a small catalogue operation in upstate New York, has followed a similar tack with tape cassettes. This operation is the brainchild of a Woodstock-based manufacturer of wind-chimes, run by a trained percussionist. The catalogue sells anything from conga drums to harmonica-filled Christmas crackers – but the prize sales point is a free tape of the various instruments in operation, neatly following the catalogue sequence.

Distribution is another area where improvements are coming thick and fast. Already, rapid distribution services have transformed the sales possibilities in certain markets.

Take flowers, for example – the most conventional of gifts, but usually rendered unpredictable on delivery by the vagaries of a local florist. Now, Caylx and Corolla, a San Francisco-based catalogue operation born less than four years ago, offers to ship direct from a couple of dozen growers to the recipient's front-door.

The company's founder, Ruth Owades, admits that Federal Express, the largest US express delivery company and responsible for nearly all the distribution, is a key element to the formula.

Owades also acknowledges that ironing out packaging standards, delivery constraints and acceptable pricing strategies was not easy. But today, for under $40, you can have anything from nine stems of Christmas orchids to a rosemary topiary tree.

Whether marketing wheezes turn into actual sales is another matter. Even the hard-headed Owades, who sends out around 8m catalogues a year and claims to implement the Christmas shopping for celebrities like David Frost, admits that impressing the would-be shopper does not quite equate to securing his or her custom. The art, she says wisely, is not how many catalogues circulate, but how many orders they generate.

TECHNOLOGY

House on skis sets sail

Western housing markets may be in the doldrums, but at least home owners do not face having to move every few years or risk being crushed by tonnes of ice.

That is the situation on Antarctica's Brunt Ice Shelf, where winter temperatures can fall to minus 30 deg C and the wind causes snow to drift for 180 days a year. The extreme conditions and continuous lateral movement of the ice mean that buildings become buried and subsequently crushed.

This makes the long-term survival of fixed structures impossible. So the battery of vehicles supporting the British Antarctic Survey's (BAS) southernmost research station is currently maintained in a garage constructed within the ice.

But this is expensive, and the BAS recently opted for a mobile structure – a prefabricated steel garage mounted on two skis – which it will move to a new location every few months. Two bulldozers will twist the garage free from the ice before dragging it to a new site.

The BAS is confident that the structure, produced from high-grade steel, will survive more than a few years of service at the Halley Research Station, where measurements of ozone depletion revealed the "hole" in 1985.

The mobile garage was manufactured by Yorkshire company VM Fabrications and designed by sister company Bennett Associates. It is a fully independent unit, with its own generator and heating systems.

Its base incorporates a sump into which used oil will drain before being shipped away from the base, in accordance with the Antarctic Treaty. The skis are coated with the same hot-application, low-friction paint used on the hull of a recently commissioned BAS research ship.

The garage is on its way to the Brunt Ice Shelf aboard the BAS vessel RRS Bransfield. Weather permitting, it will be ready for the servicing and repair of vehicles by the end of January.

Fiona McWilliam

Pigs hold the cure

Transfusions using artificial blood may not be far off, write **Jennie Lynch and Clive Cookson**

Incredible as it may seem – and no doubt disconcerting to some – animals' blood transformed by biotechnology could soon be coursing through human veins.

Spurred by the growing fear of blood-transmitted diseases like Aids and hepatitis and by a shortage of donated human blood, research companies are in a race to develop blood substitutes. These would carry oxygen around the body like the real thing but be free of unwanted contaminants.

Pigs are a promising non-human source. A US company aims to extract haemoglobin, the protein in red blood cells, from herds that have been genetically engineered for the purpose. Another firm is developing a substitute based on cows' blood.

These and other efforts are aimed at serving a market which is potentially huge. Already, hospitals and health services around the world spend an estimated $5bn a year on blood for transfusions – if safe substitutes become widely available, the market could double to $10bn a year.

A dozen companies are seeking to develop blood substitutes. Their first products are beginning clinical trials, but none is likely to be in commercial use before 1995.

Producing "artificial blood" is a complex task, not without potential risk. So what criteria should it satisfy? First and most obviously, it must be safe. It should not be inherently toxic or made from anything liable to be a source of disease. Nor should it contain any fragments of cell membranes likely to cause reactions due to cross-matching incompatibilities.

Next, it should be stable – preferably more stable than human blood, which has a shelf life of only three weeks and has to be kept chilled.

Finally, it should easy to make in vast quantities. In the US, 4m people a year receive 12m pints of blood. If substitutes are to replace even a small fraction of this, they will have to be produced in greater volume than any other drugs emerging from the biotech industry.

Haemoglobin is the key to the problem. It is responsible for transporting and delivering oxygen from the lungs to the rest of the body.

Researchers have followed two main approaches so far: to use purified and modified forms of haemoglobin, extracted from various sources; or make an inorganic chemical to take on the oxygen-carrying role of haemoglobin.

Several companies have investigated the use of purified haemoglobin as a substitute for red blood cells. Baxter, based in Deerfield, Illinois, extracts haemoglobin from human blood which has passed its expiry date; DNX of Princeton has developed a genetically engineered pig with the ability to make human haemoglobin; and Biopure of Boston is purifying natural haemoglobin from slaughtered cows' blood.

Yet all of these developments suffer from similar drawbacks. When removed from the protection of the red blood cell, haemoglobin becomes unstable and split in half. The damaged molecules aggregate and block the smallest blood vessels, particularly in the kidneys.

Baxter, Biopure and DNX all modify their haemoglobin products chemically in order to stabilise their structures and enhance their release of oxygen. DNX uses a cross-linking chemical which simultaneously achieves both aims.

DNX envisages extracting blood from herds of pigs which would be genetically engineered to produce human as well as porcine haemoglobin. The human haemoglobin would be separated and modified chemically for use in transfusions. Its cost would be comparable with natural blood. "I am very confident that we can produce haemoglobin at $5 a gram," said Paul Schmitt, DNX's chief executive.

Somatogen, a biotechnology company based in Boulder, Colorado, has taken a different approach, in collaboration with scientists at the MRC Laboratory of Molecular Biology in Cambridge, England.

To stop the haemoglobin from splitting, the scientists used genetic engineering to make a protein bridge between the two halves of the molecule. Somatogen has copied a natural haemoglobin mutant which binds oxygen less strongly than usual, potentially boosting oxygen release into the tissues 30-fold. And the protein is produced by bacteria, allowing large quantities to be made in a fermenter with no recourse to natural blood products and their associated contaminants.

Somatogen started human tests, giving patients up to a pint of the engineered "blood", last February under the guidance of the US Food and Drug Administration. Although there have been slight flu-like reactions, no toxic side-effects have been seen so far, said Charles Scoggin, president of Somatogen.

He envisages the product being used primarily to replace blood lost in surgery. Somatogen is building a $40m production plant in Boulder, with two 3,000-litre fermenters.

The alternative to haemoglobin is to use inert chemicals to carry oxygen. Perfluorocarbons (PFCs) have such properties and they first reached the headlines in 1966, alongside photographs of submerged mice breathing oxygen from PFC solutions.

Although PFCs have been in development for longer than engineered haemoglobins, they still have several hurdles to overcome before they can replace human blood. Like oil and water, PFCs and blood do not mix; therefore, they have to be emulsified with the help of chemicals called surfactants. These, in turn, cause the PFC to become unstable, requiring the addition of another fluorinated compound to stabilise the first.

The pioneering PFC is Fluosol, sold by Alpha Therapeutics, a subsidiary of Green Cross of Japan. It is licensed in the US and UK for use to prevent severe oxygen deprivation when treating patients with blocked coronary arteries. But no PFC has been approved as a general blood substitute.

Researchers expect eventually to find new applications for artificial blood in several fields of medicine. In cancer treatment, for example, carrying more oxygen to the tumour would make radio-therapy more effective and reduce the doses of radiation required.

Moving pictures on the office PC

By Louise Kehoe

Microsoft and Intel, the software and semiconductor champions of the personal computer industry, aim to bring moving pictures into the mainstream of personal computing with technology that enables most PCs to display video images.

"Video for Windows", a Microsoft program launched this week, will allow any PC with a 386 or 486 microprocessor "brain" running the popular Microsoft Windows operating system to display digitised video images along with text, graphics and still pictures. Apple Computer already offers such "multimedia" capabilities on its Macintosh computers.

Until now, however, putting moving images on the screen of an IBM-compatible PC has been expensive and complicated, requiring add-on circuit boards and specialised software that have severely limited its use.

"For years, the necessary ingredients for digital video computing have been coming together like elements in a chemical reaction," says Andrew Grove, Intel president and chief executive. "Now we have added technology to ignite a reaction that will turn a standard PC into a digital video computer. The best news about it is that it's available to anyone who already owns a 386- or 486-based PC."

Intel's "Indeo" video compression technology, which is incorporated in Video for Windows, squeezes the huge amount of data required to record or display a video sequence down to a manageable size, allowing users to integrate video information in existing applications such as wordprocessors or electronic mail.

Thanks also to Intel technology, Video for Windows will automatically adjust the size and quality of video images according to the power of the PC it is running on.

A standard 386 PC, for example, will provide a small image one-tenth the size of the PC screen, at a slightly jerky 15 frames per second, whereas a 486 PC can display a quarter screen-sized image at 24 frames per second. With the addition of a video enhancement circuit board, either machine will provide full-screen, full-motion video images. "Multimedia technology will become important across a wide range of PC applications," predicts Bill Gates, Microsoft chairman and chief executive.

Business applications of digital video might include the enhancement of a sales presentations or training materials with video clips; incorporating video in electronic messages or using the PC as a display for desktop video conferencing.

A sales report, for example, might have built-in video product demonstrations or a training manual could incorporate "how to" video sequences. The boss might want to emphasise the importance of his message by delivering it in a digitised video, while product development groups may need to share pictures of the latest updates of their design work to colleagues at a distant manufacturing site.

The portions of Video for Windows that enable PC users to "play" video clips will be free to current Windows users. The complete program, which includes functions needed to create digital video, will sell in the US for $199.

Although the new Microsoft program provides video display capabilities on most PCs, it is expected to whet the appetites of many PC users for add-on products that improve PC video performance.

These may include video processing circuit boards and audio enhancement devices, as well as memory upgrades and high capacity compact disk read-only-memory (CD-Rom) data storage devices.

Eventually, multimedia display capabilities are expected to create increased consumer interest in PCs by spawning new entertainment and educational applications.

For these first-time PC purchasers, video display capabilities may provide the first meaningful demonstration of the value of increased processing power, tempting some to buy higher-performance PCs rather than the cheapest models.

PEOPLE

Alexander White joins Invesco MIM as a non-executive

Alexander White, formerly a senior investment banker with New York-based James D Wolfensohn, has been made a non-executive director of Invesco MIM, in a move that further underscores the investment group's American orientation.

"From their [Invesco MIM's] point of view, the majority of the funds under management come from the US and there had not been an American on the board, so it seemed appropriate to restore the balance," says White. Invesco MIM manages around £34bn worldwide, but about two thirds of that is managed from the US.

The latest recruit to the board knows Invesco MIM and its new chief executive Charles Brady well, having been involved in an advisory role when Britannia Arrow purchased the US fund manager in two stages in 1986 and 1988. He had been proposed as a director well before Hong Kong securities house Peregrine Investments recently lifted its stake in Invesco to 24 per cent. Peregrine has not yet appointed any representatives to the board.

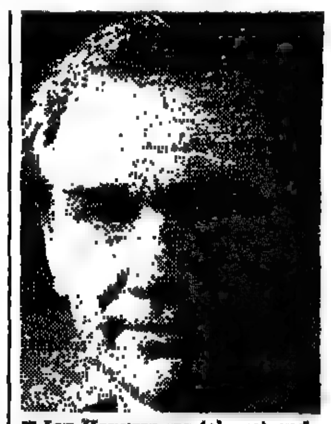
Because of Invesco MIM's well-publicised problems in the UK, including the Drayton Consolidated debacle as a result of which the group agreed to pay investors £9.5m in compensation, there has been speculation that the group might wish to spin off its European and possibly Far Eastern business.

However, White, who says he has only attended "one meeting", says it would be "premature" to comment on a possible reorganisation.

Brady, who works from Atlanta, Georgia, took over from Lord Stevens as group chief executive in August, and is deploying a notably different, more risk-averse strategy.

Much of the rest of the board reflects Invesco's past connections rather than its current business, and White is not expected to be the last of the new faces appointed to the boardroom.

Living in New York and involving himself in a variety of not-for-profit endeavours together with some "private" consultancy, White, 59, who had previously worked for Merrill Lynch, retired from Wolfensohn two years ago.



■ Jon Hargreaves (above), md of Entec Europe, NORTHUMBRIAN WATER's environmental and engineering services subsidiary, has been appointed md of the parent company with effect from April on the retirement of Robert Smith.

■ Paul Weaver has been appointed company secretary of SPRING RAM; he moves from Horsell, a subsidiary of International Paper Holdings. Mark Raven, former company secretary, is appointed finance director of Ram Kitchens.

■ Jan Hemming-Allen, formerly group director of operations, has been appointed group director of human resources of COMMUNITY HOSPITALS GROUP.

■ Gordon Beaumont has been appointed company secretary at ALFRED MCALPINE; he succeeds Andrew Pike who continues to be director of legal services.

■ John Barlow is appointed company secretary of STARMIN.

■ Julian Hulse, formerly head of training, has been appointed chief executive of the MANCHESTER CHAMBER OF COMMERCE.

■ Tony Brown has been appointed company secretary of ESSO UK on the retirement of Michael Westlake.

■ Steve Lent (above) has been promoted to corporate director in the The ROYAL BANK OF SCOTLAND's corporate and institutional banking division.

■ Iain Dale is appointed deputy chairman of TR PACIFIC INVESTMENT TRUST; The Earl of Limerick has resigned.

■ Trevor Falle has been appointed marketing director of ANZ GRINDLAYS BANK (JERSEY).

■ Bob McInnes, formerly director, Scotland and director, network, has been appointed deputy md of The ROYAL BANK OF SCOTLAND; Alf Moon, formerly director, securities services, corporate and institutional banking division, has been appointed director, Scotland, branch banking division.

■ Kim Taylor, formerly group financial controller, has been appointed finance director of EXCO INTERNATIONAL, following the resignation of Geoffrey Dunn.

Shake-up at JP Morgan

A 39-year-old British banker has been given the job of running the London operations of JP Morgan, the US bank, as part of a management shake-up intended to give the bank a stronger focus in its European businesses.

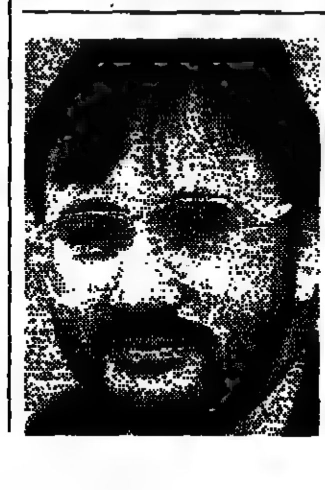
Adam Wethered, who has been with the bank for 16 years, takes over a 1,700-strong office, one of the biggest of any foreign financial institution in London.

A corporate financier at the start of his career, Wethered followed a circuitous route through project financing and shipping finance, with a brief spell in New York involved in the securities and trust businesses, before returning to London as co-head of Morgan's European corporate finance business last year.

Unlike many other US banks, JP Morgan's operations in continental Europe – where it employs 2,500 people – exceed its operations in London.

To get these businesses working more effectively together, Morgan has set up a European management committee, one of whose first chairmen is Wethered's predecessor in London, Walter Gubert. Marcus Meier has been sent from New York as a second co-chairman.

The new committee will stand outside the bank's formal reporting lines and organisational structure, and instead will act as a forum for senior executives from across the continent to swap ideas.



NFC transport services subsidiary BRS has recruited from within to fill one of the top posts for its new venture into logistics problem-solving for Europe's motor industry.

Enter Leigh Pomlett, formerly director and area general manager for BRS Midlands, as director of logistics for the parts and components division of BRS' newly-created automotive sector.

Pomlett (left), who got the job for the knowledge he has built up of Japanese car-makers' parts-movement needs, will have the responsibility for helping client companies like Ford and Rover move their parts around more efficiently.

A counterpart for the "finished vehicles" division – which aims to manage supply chain processes from vehicle distribution to disposal – has yet to be appointed. Vehicle management services, which include contract hire activities, has also been put in the automotive sector under its existing director, Mike Dawson.

The automotive section is run from hq at Milton Keynes.

ARTS

Cinema/Nigel Andrews

Friends, and technology, in search of utopia

Peter's Friends is *The Cherry Orchard* crossed with *The Big Chill* and set deep in "Loves, darlings!" country. As his five best friends from university converge on Peter's place in reel one – Peter is Stephen Fry, his place is his late Dad's stately home – one fears a nuclear explosion of chumminess. "Pe-ter, Pe-ter, Peetah!" screams Emma Thompson's ageing flower child: hug-hug, kissy-kissy goes everyone else (Kenneth Branagh, Hugh Laurie, Imelda Staunton, Alphonsia Emmanuel); and the whole cast is in danger of being embraced to death before crossing the front doormat.

One is surprised the film was not called *The Big Meltdown* and set to songs by Ivor Novello or the Cambridge Boating Club. In the event it was directed by Kenneth Branagh, co-written by American comedienne Rita Rudner with her husband Martin Bergman, and the main music you hear is gusts of audience laughter punctuating the tie-in 1980s hits.

This is the old story about the reunion that sows disunion. Gathered into the bosom of the past – they have not met since giving a disastrous cabaret before Peter's pater ten years before – the old friends start shucking off their new relationships. Branagh's Hollywood wife Rita Rudner is a pixie-faced health freak sent packing by well-wined British sodality. Sex-mad Miss Emmanuel loves and loses her two-week Lothario Tony Slattery. And of course the only ex-varsity pair married to each other (Laurie and Staunton) overcome the emotional scars of a recent bereavement – a twin that died soon after birth – to deepen their union.

We cringe at the message these subplots spell: better the buddies of our youth than the interchangeable bedmates of mature years. Such youthist twaddle would have us all leaping back into our university photo albums crying "Where did we go wrong?" But at best *Peter's Friends* is better than its message. Indeed it is like one of those coach trips where though the guide keeps asking you to look out of the right window you find just as many interesting things on the left.

PETER'S FRIENDS (15)
Kenneth Branagh

SNEAKERS (12)
Phil Alden Robinson

LONDON FILM FESTIVAL

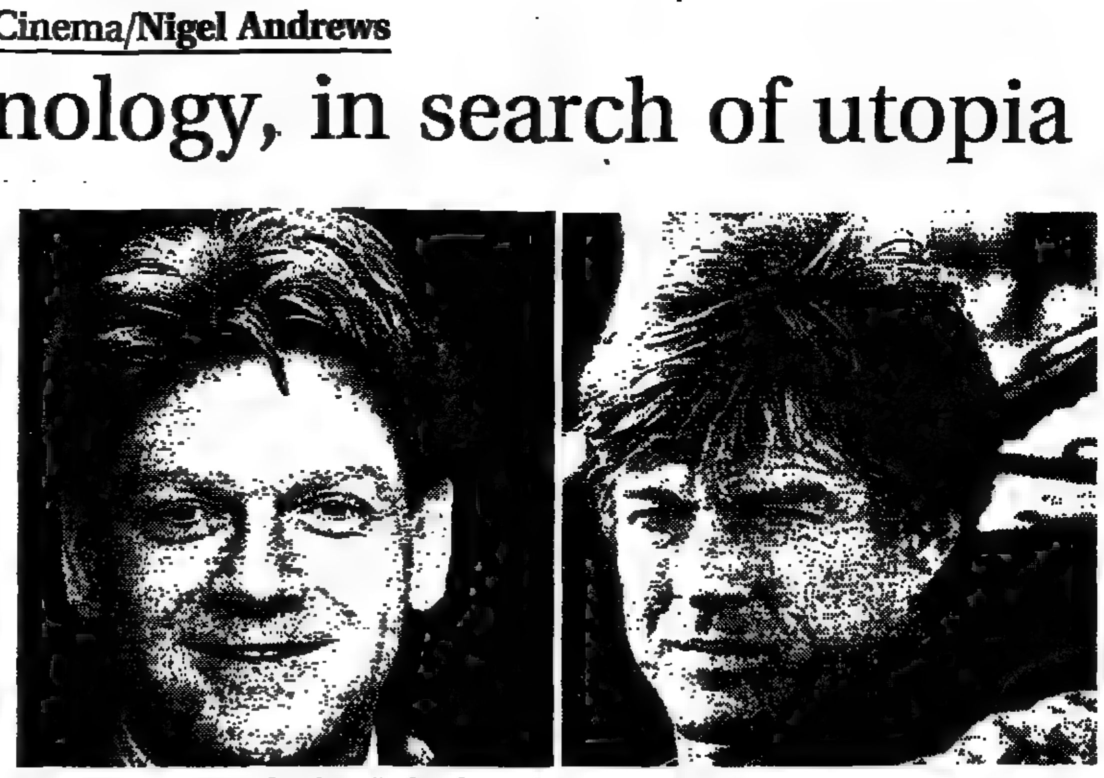
Each character is allowed his or her moment of sublime crack-up followed by (even better) the dust-clouds of the ridiculous. Love-smitten Slattery breaks off with his wife by phone; then, rebuffed by Emmanuel, frantically rings his young son back to mediate a reconciliation. Rudner sits in her bedroom baring her sense of social exclusion – "I'm stuck down there with the cast of Masterpiece Theatre" – then hops down to the pantry hours later to pig out on dinner leftovers. And Branagh has a glorious scene of drunken venom followed by a mazy, equally glorious aria of drunken apology.

If it is not Chekhov it is a good English equivalent. And if it is not *The Big Chill* – well, actually it is better than *The Big Chill*. Lawrence Kasdan's influential comedy of reunited thirtysomethings was stiff with statements about the Meaning Of The 1960s. *Peter's Friends*, when not corseting itself with overemphatic nostalgia, is lithe with non-didactic charm. It also marks the point at which an entire mini-generation of TV comics – Fry, Laurie, Slattery – make their convincing jump into straight acting under the Svengali tutelage of K. Branagh.

*

"People hire you to break into their places to make sure people can't break into their places?" asks the bank clerk in *Sneakers*. "Yes" says Robert Redford's winning smile.

After nurses and welfare workers, the most useful people in the world are minor characters to tell us what the main characters are up to. In Phil Alden Robinson's hi-tech caper Redford leads a group of professional computer hackers hired by a dubious government agency to find a vital black box. This McGuffin – as Hitchcock dubbed any object custom-made to be fought over in a movie – gives its owner tap-in power over everything from banks to air traffic control to government departments. Soon it is leading the cast Pied Piper-style through a maze of fraud, murder, espionage and world domination plans: these last hatched by – whom else when we need burning-eyed monomania? – Ben Kingsley.



Kenneth Branagh and Robert Redford: 'Sneakers' is a 'Peter's Friends' for Hollywood

You could call *Sneakers* a *Peter's Friends* for plot-mad Hollywood. Redford and his team of fellow forty/fiftysomethings Sidney Poitier, Dan Aykroyd and David Strathairn – with River Phoenix as token youngster and Mary McDonnell as token moll – are 1960s survivors in search of a 1990s mission. The Cold War is over, but the catarrh of conspiracy delirium lingers: allowing Robinson and co-scenarists Lawrence Lasker and Walter F. Parkes (who penned that seminal computer caper *WarGames*) to make *Sneakers* a delicious postmodern parody of films like *Three Days Of The Condor* and *The Parallax View*.

This is a world with no easy international enmities to concentrate the mind, and no easy utopias in technology itself. The best scenes show the thrill and the fallibility of the hi-tech age: an earpiece-prompted scam by Redford that gets hilariously out-of-sync, a heist that defies every security system but human error, a "perfect getaway" in which the only available driver is a blind man.

If Robinson's last comedy-elegy to a world of vanished ideals, *Field Of Dreams*, was a mixed artistic crop – part wry, part corn – *Sneakers* is all crackling shoots of irony, grown from the fertile ground of pre-millennial anxiety. And no one handles the ironic mode better than Redford: the cocked quizzicality, the lightning tics of despair or self-deprecation, the sense of a golden boy lost in the engulfing glitter of another techno-dawn.

*

The 36th London Film Festival pounds on. Are you attending as regularly as you should be? If not, the coming week may tempt you with its rollercoasting programme of new and old, domestic and exotic films. The range is from 1990s Hong Kong melodrama (Stanley Kwan's *Actress*) to 1940s Hollywood musical (*On The Town* in pristine print) via American independents (Susan Seidelman), prize-winning Italian neo-realism (Gianni Amelio's *The Stolen Children*), Siggraph computer animation and collector's-piece Tinseltown documentary (Music For The Movies: Bernard Herrmann).

All movie life is here, and some human life to go with it. Personal appearances are promised from actor Nicolas Cage and directors Alan Rudolph and J. Lee Thompson.

Saint-Etienne Massenet festival

French singers on song

Andrew Clark on Esclarmonde, Grisélidis and La Terre Promise

Anyone with the slightest acquaintance of music-making in France knows that the provincial cities, rather than Paris, now provide the best opportunity to hear French artists in their native repertoire. Indeed, a visit to a city like Saint-Etienne, which has just staged its second Massenet Festival, offers a valuable corrective to the widely-held view that France's stock of native talent has run dry. Here was a plentiful supply of French singers – polished and presentable if not of glamorous international renown – doing honour to their country's musical heritage, distinguished by a linguistic understanding and tonal authenticity that one hears only in France.

At first sight, Saint-Etienne is the most unlikely place for a festival. Traditionally overshadowed by nearby Lyon, it is stuck on a road to nowhere at the edge of the *Massif central*, and has lately become a victim of disappearing industries and high unemployment. The Massenet Festival – celebrating the composer who turned his back on his birthplace as soon as he could – is just one plank in Saint-Etienne's ambitious regeneration programme. The city (pop. 250,000) spends 12 per cent of its budget on culture, one of the highest in Europe. The local taxpayer foots two-thirds of the festival's FFr12m (£1.4m) costs, with much of the rest coming in sponsorship from France Telecom and a deal with Koch-Schwann that enables festival productions to be commercially recorded.

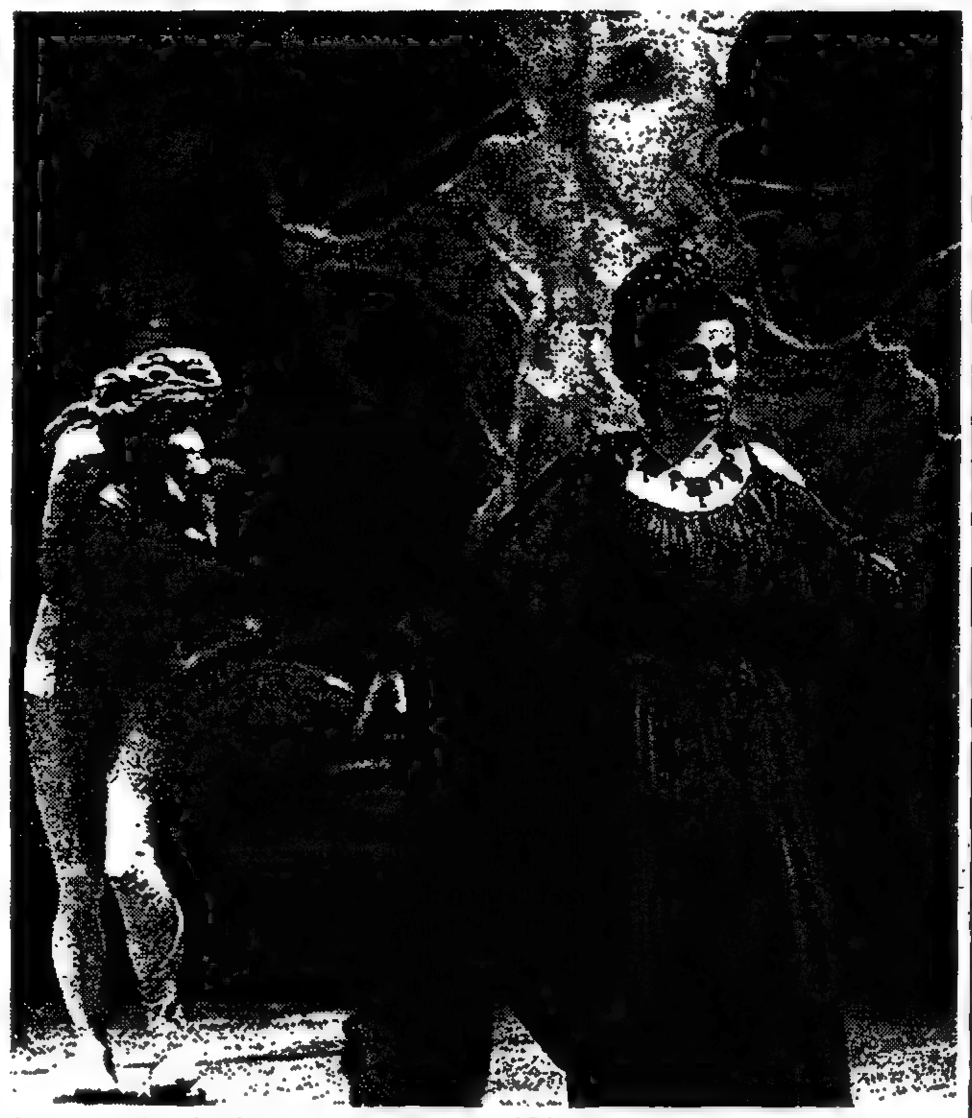
Perhaps mindful of the sad fate of the Berlioz Festival in Lyon in the 1980s, the organisers have settled for a biennial event. This year's programme, marking the 150th anniversary of the composer's birth, consisted of a staging of *Esclarmonde*, concert performances of *Grisélidis* and the oratorio *La Terre Promise*, a symphonic concert, a song recital and a musicological conference. The

Esclarmonde was in need of reappraisal. Written shortly after *Manon* for the young American soprano Sibyl Sanderson (by whom Massenet was apparently besotted), it tells the unlikely tale of a veiled princess whose use of magical powers to catch the man of her fancy nearly backfires. The work has been seldom revived, and received a critical drubbing after the Covent Garden performances with Joan Sutherland in 1983. At Saint-Etienne, I found myself admiring it in isolated sections: the dainty ceremonial choruses, the delicate brilliance of Esclarmonde's incantation "Esprits de l'air", the gently swelling lyricism of the love scenes, the simple woodwind melody introducing the final act. Everything is impeccably crafted – but the music rambles.

Saint-Etienne provided the kind of special sympathy which a non-foolproof opera needs. On the surface, *Esclarmonde* is a vehicle for a prima donna, an invitation to operatic spectacle – but to judge by this staging, it works best in an intimate framework, with a cast of equals. Disciplined by the needs of a touring production (to be shown at the Opéra-Comique in Paris later this month and then in Palermo and Genoa), the film director Claude d'Anna kept the action fluent and small-scale, offering no psychological insights but resisting the temptation to send up or blow up the far-fetched workings of the plot. Giantito Burchiellaro's stylised Byzantine designs – matched by Ivan Stefanutti's graceful, low-key costumes – consisted of little more than a drop cloth and two net side-panels, with a moonlit blue seascape for the mysterious isle of Act II.

This fidelity to the work's dramatic essentials found an echo in the pit: Saint-Etienne's talented young music director, Patrick Fournillier, proved once again a dextrous interpreter of Massenet's music, allowing air into the warm choral and orchestral textures, shaping and balancing the music faultlessly. The instrumental timbre of the Franz Liszt Symphony Orchestra (sharing the festival workload with the Nouvel Orchestre de Saint-Etienne) may not be authentically French, but it brought out the Wagnerian influence in Massenet's brass writing and played with a discipline which few French orchestras achieve.

The Italian soprano Denia Gavazzeni-Mazzola was the only non-French member of the cast. Her slim, agile Esclarmonde looked youthful and made musical sense of Massenet's vocal decorations. Bernard Lombardo was sweet-voiced but androgynous in the tenor part of Roland. Jean-Philippe Courtis was a commanding Emperor, ably supported in smaller roles by Christian Poulizac, Guy Gabelle and Hélène Perraguin (whose recital the next day, marred by her gauche platform manner and peremptory accompanist, revealed a mezzo of considerable potential).



One of the few foreigners: Denia Gavazzeni-Mazzola as Esclarmonde

Courtis turned up again as a towering, nimble-footed Devil in *Grisélidis* giving such a graphic, richly-nuanced performance that one momentarily forgot this was a concert. In the regrettably short baritone and tenor roles, Didier Henry and Jean-Luc Viala sang with the inspiration and ardour of mature youthfulness. In the title role – one of Massenet's most bland characters – Michèle Command was elegance personified, expertly supported again by Fournillier and a chorus imported from Lyon. In the early 1980s, Wexford proved that *Grisélidis* is alive with drama: it seemed a pity Saint-Etienne's resources did not stretch to a staging.

For *La Terre Promise* (1900), composed in memory of Ambroise Thomas, the festival moved from the charmless modern Maison de la Culture to the neatly-proportioned Grand'Eglise. Here again, one was struck by the effortless directness of Massenet's vocal writing, and the skill with which the Saint-Etienne chorus and three young soloists – Laurent Naouri, Daniel Galvez-Vallejo and Brigitte Lafon – delivered their parts. The oratorio describes the journey of the Israelites past Jericho, where the tumbling of city walls is graphically described by a choral wall and a lingering crash of percussion, to the promised land, heralded by waves of peaceful choral polyphony. The work lasts a concise 75 minutes and would make a handsome alternative to the endless round of Bach Passions with which north Europe's choral societies content themselves each year. The Saint-Etienne performance, with the local orchestra conducted by Kurt Redel, was one of great dignity.

Dance/Clement Crisp

A Christmas Carol

Christopher Gable has, with considerable acumen, studied the balletic market, and identified an audience need. That need is for lively drama, well-known themes, dance as an undemanding aspect of entertainment, and a denial of the supposedly forbidding aspects of ballet. And this is what he has very astutely set his company, Northern Ballet Theatre, to provide. There is no call for critical sniffiness when faced with such populist tactics. Mr and Mrs Smith enjoy *Eldorado*, Richard Clayderman, Jeffrey Archer's writings and the umpteenth revival of *Sound of Music*, and their lives are made happier thereby. Why not, then, ballets whose appeal is as immediate? That, in the process, an art can be reduced to its lowest common denominators is no news.

Comment is necessary when, as with last week's *Swan Lake*, a major work is transmogrified for the unlikely cause of "poetic truth", and a critic is entitled to carp. But what Gable offers with the *Christmas Carol* receiving its London premiere this week, is solid, jolly entertainment. I may deplore Massimo Moricone's deadly choreography for *A Christmas Carol*, as for NBT's *Romeo*, yet Gable's company works with enthusiasm, touches its public's heart, and the staging is expertly done.

A Christmas Carol boasts a cast-iron title, sentiment, and the best of plots. Its theme invites – and, by Heaven, it gets – a score from Carl Davis replete with carols everyone knows – and would probably like to hum-along with. The cast sing them, and there can't be a dry eye in the house when Tiny Tim gives us "How far is it to Bethlehem". To the staging's great credit, the narrative is everywhere responsive to the original. And it boasts, in Lez Brotherstone's design, a dazzling and imaginative re-creation of Scrooge's world. The stage picture is on two levels – an upper walk offering something like High Holborn, with a distant foggy prospect of St. Paul's. Below, scenery opens out to show us Scrooge's counting house, the Cratchit home, and every locale specified by Dickens. Costuming is no less apt. On these terms alone, the production is a huge success, and Brotherstone's work notably fine.

What Gable has done is no less remarkable. The story is surely told, vivid, and aimed straight at the heart – as Dickens alone knew how. (Ah, the tiny abandoned crutch on the stair; and Ho-ho, the Cratchit family preparing to feast upon a well-developed starling). The dance is mere chit-chat of steps, and at moments – a solo for Christmas Past; a duet for the Young Scrooge and his lost love – numbingly awkward. Carl Davis' score, when it departs from traditional tunes, is brash, to say the least. To say the most, it is efficient. But *A Christmas Carol* does not pretend to be a ballet – in the sense that another populist work, David Bintley's *Hobson's Choice*, relies upon choreographic means alone for its attraction and its dramatic effects. Gable proposes a form of music-theatre for dancers, of ingratiating and unrelenting emotionalism, in which song, dance, mimetic drama all have a part. The piece's flaw is that Scrooge (well taken by Jeremy Kerridge) is not interesting enough as a peg on which to hang the staging. Christmas itself is the hero, pervasive in Dickens, but unfocussed as an excuse for dance-drama. Of course, *A Christmas Carol* may worry purists – though Lez Brotherstone's triumphant designs should be seen by anyone interested in the theatre. But Mr and Mrs Smith will love it.

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INTERNATIONAL ARTS GUIDE

ANTWERP

A new production of Lully's Armide opens at De Vlaamse Opera on Sun (also Nov 17, 19, 20, 22), moving to Théâtre des Champs-Elysées in Paris, starting Nov 30 (233 6685). Next Tues, Wed, Thurs at deSingel: Anne Teresa de Keersmaeker's experimental dance group Rosas presents Fase, music by Steve Reich (248 3800)

ATHENS

Miltiades Caridis conducts Berlin Symphony Orchestra in a Wagner concert tonight and tomorrow in Athens Concert Hall, followed on Sat by a Mozart and Brahms programme. Mon and Wed: La Camerata plays music by Mozart, Sibelius and Shostakovich. Tues and Thurs: Chilingirian Quartet (722 5511)

DRESDEN

● Tonight's performance at Semperoper is Cosi fan tutte. Tomorrow: ballet triple bill. Fri: Il barbiere di Siviglia. Sat: Gluck's Orfeo. Sun: Arabella with Felicity Lott (also Nov 18, 21, 24). Mon: Evgeny Onegin (484 2731)

● Members of Dresden Philharmonic Orchestra play chamber music by Bach, Handel and others on Sat evening at Schloss Albrechtsberg (486 6306)

FLORENCE

Teatro Communale 21:00 Myung Whun Chung conducts Berlioz's Nuits d'Eté (Cecilia Bartoli) and Rakhmaninov's Symphonic Dances, repeated tomorrow, Sat and Sun afternoon. Next week: Semyon Bychkov conducts Mahler's Second Symphony. Nov 25-Dec 11: Coppelia (277 9236)

THE HAGUE

Danstheater 20.15 Nederlands Dans Theater in choreographies by Kylian, Galili and Tuerlings. Repeated tomorrow and Sat in the Hague, also next Tues at Rotterdam Schouwburg (360 4930)

Dr Anton Philipszaal 20.15 Nieuw Ensemble plays music by Boulez, Gorecki and others. Tomorrow and Sat: John Nelson conducts Hague Philharmonic Orchestra in symphonies by Haydn and Tchaikovsky, with Imogen Cooper soloist in Mozart's Piano Concerto No 23. Sun afternoon: Arion Ensemble plays Elgar's Serenade, Haydn's D major Cello Concerto and others. Next Tues: Hague Philharmonic and Cantamus Alati perform choral music by Brahms and Dvořák. Next Thurs, Fri: Lydia Mordkovich plays Tchaikovsky's Violin Concerto. Nov 26: Labeque Sisters (360 9810)

LONDON

THEATRE

● An Ideal Husband: the Peter Hall Company presents Oscar Wilde's play with a cast including Hannah Gordon (Globe 071-494 5067)

● Stages: a new play by David Storey about an ageing artist (Alan Bates) who looks back on the passion that informed his life and work. Directed by Lindsay Anderson. Previews start tomorrow in the Cottesloe, Press night next Wed (National Theatre 071-928 2252)

● Lost in Yonkers: Neil Simon's Broadway hit about two brothers dumped with their tyrannical grandmother in Yonkers, New York, in 1942. Starring Maureen Lipman. Opens tonight (Strand 071-930 8800)

● Our Song: Peter O'Toole stars in a new Keith Waterhouse play, directed by Ned Sherrin (Apollo 071-494 5070)

OPERA/DANCE

Covent Garden A new Royal Opera production of Die Frau ohne Schatten, conducted by Bernard Haitink and staged by John Cox with designs by David Hockney, opens on Mon with a cast led by Anna Tomowa-Sintow, Gwyneth Jones, Paul Frey and Franz Grundheber (also Nov 20, 23, 25, 28). Sat and Tues: Swan Lake. Next Wed, Thurs, Sat: Kenneth MacMillan's Mayerling. Nov 27: revival of Madama Butterfly (071-240 1066)

Coliseum A new ENO production of Gilbert and Sullivan's Princess Ida, directed by Ken Russell, opens on Sat. The repertory also includes Wozzeck and Die Zauberflöte (071-836 3161)

Guildhall Theatre Tonight, Sat, Mon and next Wed: Gounod's La Colombe and Ravel's L'Heure Espagnole (071-638 8891)

Sadler's Wells Phoenix Dance Company, daily till Sat (071-278 8916)

CONCERTS

South Bank Centre In tonight's concert, Semyon Bychkov conducts the Philharmonia in works by Strauss, Ravel and Berlioz, with Andrei Gavrilov piano soloist (Bychkov conducts an alternative programme on Sat with Labeque Sisters). Tomorrow and Sun morning: Adam Fischer conducts LPO. Sun evening: Vienna Boys Choir. Next Tues: Franz Welser-Möst conducts works on a children's theme. Next Tues in QE Hall: new Judith Weir work. Next Wed: Neville Marriner conducts ASMF. Next Thurs: Lynn Harrell is cello soloist with Philharmonia. Next Fri: Gustav Leonhardt conducts Orchestra and Choir of Age of Enlightenment. Nov 22: Shura Cherkassky (071-928 8800)

Barbican In tonight's LSO concert conducted by Michael Tilson Thomas, Midori is soloist in Bartók's Second Violin Concerto. Tomorrow and next Fri: Simon Rattle conducts Nielsen. Sat and next Wed: Neeme Järvi conducts Gothenburg Symphony Orchestra. Mon: Paavo Berglund conducts ECO, with trumpet soloist Hakan Hardenberger. The Barbican's Scandanavian Arts Festival runs till Dec 13 (071-638 8891)

Wigmore Hall Sun afternoon: Barbara Bonney. Tues: Hakan Hagegard. Next Fri: Karita Mattila. Next Sun morning: Hakan Hardenberger (071-935 2141)

MADRID

Auditorio Nacional de Musica Tonight's recital of German Lieder is given by Gabriele Rossmanith, Hans-Peter Blochwitz and Thomas Mohr, accompanied by Cord Garben. Tomorrow, Sat, Sun: Maximino Zumalave conducts Spanish National Orchestra in works by Jesus Villa Rojo, Ferdinand David and Rakhmaninov. Next weekend's concerts are devoted to the music of Catalan composer Xavier Montsalvatge, in honour of his 80th birthday (337 0100)

PRAGUE

● Tonight and tomorrow in Dvořák Hall, Zdenek Kosler conducts Czech Philharmonic Orchestra in Strauss' Violin Concerto (Ulf Hoelscher) and Bruckner's Fifth Symphony. Next week's concerts are conducted by Jean Fournet (286 0111)

● This week's events at the Smetana Hall include a harpsichord recital on Sat by Zuzana Ruzickova and a concert on Sun by Prague Chamber Soloists. Next Wed: Prague Symphony Orchestra plays Berlioz and Tchaikovsky (232 2501)

● Prague State Opera has Otello tonight, John Dew's new production of Les contes d'Hoffmann tomorrow, Il trovatore on Sat and Madama Butterfly on Sun. Next Thurs: La traviata. Nov 22: first night of new production of Salome (269746)

● For pre-booking and information about these and other events, contact city centre ticket agencies (Sluna, Wenceslas Square 28 in the passage, tel 260693, or Bohemia, Na Prikope 16, tel 228738, or Melantrich, Wenceslas Square 38 in the passage, tel 228714) and theatre box offices.

STOCKHOLM

OPERA/BALLET

Shnitke's ballet Peer Gynt, choreographed by John Neumeier, receives its Scandanavian premiere tomorrow at the Royal Opera and continues in repertory till mid-January. Tonight's performance is Simon Boccanegra (also next Tues). Next Mon and Thurs: Boccaccio (248240)

CONCERTS

Tonight and tomorrow afternoon at Konserthuset, Gennady Rozhdestvensky conducts Stockholm Philharmonic Orchestra in Duparc songs (Sylvia Lindenstrand), plus Borodin's First Symphony and Nielsen's Sixth (244130). Tonight at Berwaldhallen, Anders Elby conducts Swedish Radio Symphony Orchestra and Chorus in works by Villa-Lobos and Carlos Chavez. Nov 21: Yefim Bronfman plays Mozart (784 1800)

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MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2245 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
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Thursday November 12 1992

Italy's fight for credibility

ITALY STILL has a long way to travel before it can claim its fiscal problems are solved. But as summer has turned to autumn, it has become apparent that Prime Minister Giuliano Amato represents Italy's best hope of salvation. September's exchange market crisis, which saw the lira limp from the exchange rate mechanism, might have represented a mortal blow to his government's credibility. But Mr Amato appears to have the gods on his side. By concentrating the minds of Italy's conservative parliamentarians, it has turned out to be a blessing in disguise.

Credibility is the key to success for any reforming Italian administration. But that credibility must be earned by fiscal action, not by brave but fruitless attempts to stick to unsustainable exchange rates. What Italy has needed for some time is fiscal retrenchment combined with the promise of more to come. That is what was missing before September 14. That is what the Amato government has since delivered.

Exit from the ERM was, in fact, the catalyst for change. The national mood of impending crisis, exemplified by high short-term interest rates, has persuaded parliament that the Amato government's budget package must be enacted. The most important third of the L93,000bn package – tackling structural spending on health, pensions, public administration and local government – has already been passed, while the entire combination of tax increases and spending cuts should be through by December.

Short-term rates

If the Italian fiscal package can be made to stick, then the medium-term outlook is moderately encouraging. Economic recovery should produce a virtuous cycle of lower cyclical spending, higher tax revenues and a smaller budget deficit, leading to lower interest rates on government bonds as faith in the new-found fiscal prudence grows. In addition, the lira's 10 per cent devaluation since early September on a trade-weighted basis means a sizeable boost to the competitiveness of Italy's dynamic industrial base.

The problem is getting from here to the medium term. Italian short term interest rates may have fallen by over 5 percentage points since their September peak, but, at 14¾ per cent, they are still painfully high. The impact of these high rates is already feeding through into depressed output and rising unemployment. Nor can the Italian economy expect much help from elsewhere. The outlook for the European economy is anything but rosy for the year ahead.

The government must persevere. Tough fiscal consolidation is the only way to reduce the large risk premium in Italian interest rates, while wage restraint is essential if the competitiveness gains are not to be squandered. But, in the short-term, these will compound the economic pain and make the government's political task harder. Mr Amato's administration must pale at the thought of persuading Italy's recalcitrant civil service to implement his budget measures, including job cuts and a freeze on public sector pay, against the background of a deteriorating economy.

ERM re-entry

Yet Europe may offer a useful crutch to keep the reform process on the road. No one can claim that the ERM, in its current battered state, offers an easy route to credibility, especially to indebted countries like the UK or Italy. The risk of early re-entry is that it might become an open invitation to currency speculators and prevent Italian short-term interest rates from falling as far as the Bank of Italy might like. But German short-term interest rates, now 5 percentage points lower than Italy's, are not likely to constitute a constraint on Italian monetary policy anytime soon, while the risk of speculation is lower today than in the early weeks of the Amato administration when the lira was overvalued.

ERM re-entry at the current rate, combined with a credible fiscal package, might even make it easier for Italian interest rates to fall without pushing the lira down. Most important, ERM membership is the most available signal of Italy's European commitment. Without the EC, Italy's reform process might not have come this far. For the Italian state, it remains the best insurance against political collapse and hyperinflationary suicide.

Independence for the Bank

"WE ARE at a critical juncture for economic policy in this country", says the governor of the Bank of England, Mr Robin Leigh-Pemberton. He is right. The need for careful consideration of where UK economic policy should be going is only a little less pressing than that for radical institutional change. In yesterday's admirable lecture at the London School of Economics, the governor provided the former and allowed others to draw conclusions for the latter. The governor calls for price stability but does not advocate the central bank independence needed to achieve it.

The analytical heart of the governor's speech is the case for price stability. This he defines as has the chairman of the Federal Reserve. "For all practical purposes," argued Mr Greenspan, "price stability means that expected changes in the average price level are small enough and gradual enough that they do not materially enter business and household decisions." The governor says that 0-2 per cent inflation would be low enough.

What is clear is that inflation does not lower unemployment in the long term. Over the last 20 years, for example, British retail prices have risen six and a half times, while unemployment has risen in the successive cyclical troughs from half a million in 1973 to 1.2m in 1979 and 1.6m in 1990.

Many agree that inflation serves no purpose and imposes significant costs, but they also argue that lowering it would be too costly. Yet accepting inflation at, say, 5 per cent seems ridiculous. Who would want a metre to become 5 per cent shorter every year? Why should the pound?

Choice

Also, a policy of accepting a particular rate of inflation is likely to mean in practice accepting the latest rate of inflation. This is a road to ruin. In the governor's words, "the simple choice is ... between a variable and unpredictable inflation rate caused by instability in monetary policy, and a more stable monetary policy that delivers price stability."

The question facing the UK authorities is how to achieve that goal. The government needs to tie itself, like Ulysses, to the mast. But the UK had precisely such a strategy, ERM membership, which collapsed because disinflation was "unduly rapid", given the asset price inflation that preceded it. Can any alternative be credible?

The chancellor has announced a target for inflation of 1-4 per cent. Meanwhile, the governor promises to make the Bank's quarterly inflation report "a wholly objective and comprehensive analysis of inflationary trends and pressures". This is, as he says, "a giant leap for the authorities". But it is not big enough for Britain.

Possible

The argument for central bank independence, combined with accountability for the achievement of inflation targets, appears overwhelming. Some economists object, because they envisage, instead, disinterested policy makers manipulating all the policy levers for the greatest good of the greatest number. They are naive. Some politicians object because they know that they cannot deliver what they have promised without the surreptitious redistribution of income. They are dangerous.

Central bank independence is tricky in a Westminster-style democracy. But the New Zealand example shows it is possible. What is needed is a contract, to which the Bank can be held accountable. How this can be made to work is discussed by Peter Nicoll and David Archer, of the Reserve Bank of New Zealand, in one of the prize essays published this week by the American Express Bank. The key, they claim, is discretion in achieving pre-announced targets for inflation.

This is the kind of arrangement the UK needs. It is particularly important when credibility is very low and the announced goal remains price *stability*, but by implication stability at a significantly higher price *level* than today's.

Reculer pour mieux sauter is what the governor wants the UK to do. But an enduring failure is far more likely. Even radical institutional change may not be enough. But with it the UK would have a chance of combining higher prices now, with stability in the not too distant future. Without it, the UK will have higher prices now and, almost certainly, still higher prices later.

The Matrix Churchill scandal throws light on how Whitehall departments battle for control of policy, writes **John Plender**

Struggle to spike a smoking gun

Matrix Churchill: characters at the centre of the storm

William Waldegrave · Alan Clark · Lord Ridley · Paul Henderson · Lady Thatcher

The announcement of an independent judicial inquiry into the Matrix Churchill affair has for the moment defused another embarrassing situation for the government. But present and former ministers must now be wondering how damaging the disclosures will turn out to be when Lord Justice Scott, known as a liberal but pragmatic judge, delivers his conclusions.

The production of 500 Whitehall documents, many carrying high security classifications, in the collapsed court case against businessman Mr Paul Henderson and his colleagues has already provided a substantial indication of potential discomfort to come. The papers also provide a unique insight into the mechanics of Whitehall policy formulation. The episode will, according to Peter Hennessey, professor of contemporary history at Queen Mary College and a specialist on Whitehall, unquestionably prove to be a *locus classicus* on ministerial and official behaviour.

The basic charge against ministers is that they colluded to break the government's own guidelines on the sale of defence-related equipment to Iraq; and that the relaxed attitude to the sale of so-called dual-use equipment (which can have both civil and military applications) to Iraq could have resulted in that equipment being used against British troops in the Gulf war.

Certainly the documents revealed to the court, in the course of the case brought against the former directors of machine-tool maker Matrix Churchill by Customs & Excise, suggest that the Whitehall machine was duplicitous. While an inter-departmental committee appears to have wrestled tortuously with the pros and cons of granting or revoking export licences for Matrix Churchill's potential exports to Iraq, individual minutes by senior officials convey a rather different impression.

One of the more striking is a note by Mr Michael Blackley of the Foreign & Commonwealth Office (FCO) Middle Eastern Department in January 1988, when the Iran-Iraq war was still some months from its end. Whitehall had just learned from intelligence sources that Matrix Churchill's machine tools were being used to manufacture munitions at the Nasser and Hutean industrial complexes in Iraq.

Part of Blackley's comment reads: "I accept the recommendation that the licences should for the moment not be revoked, but if it becomes public knowledge that the tools are to be used to make munitions, deliveries would have to stop at once. Once the UN arms embargo is adopted they will probably have to stop. The companies should be warned of the falling guillotine and urged to produce and ship as fast as they can."

That implies that deceit was an essential element of the whole approach, at least at official level. And it smacks more of opportunistic *realpolitik* than enthusiastic adherence to the government's guidelines, announced in revised form in the House of Commons in October 1985. These prohibited the sale of any defence-related equipment that could significantly enhance the capability of either side to prolong or exacerbate the war. But was deceit so reprehensible in the circumstances of the time?

If the Foreign Office had concluded that it was in Britain's interests to bolster the potential military capability of the country generally perceived to be the weaker party in the war in order to maintain a stalemate, a policy of non-disclosure would have minimised the fall-out for relations with a highly dangerous power, Iran.

Officials appear also to have believed initially that revocation of the licences might have bankrupted Matrix Churchill. And by helping keep in business the company, which was majority-owned by representatives of the Iraqi state and part of the Iraqi procurement network, Whitehall was maintaining a source that might have provided much more valuable information about the crucially important Iraqi attempt to establish a nuclear capability.

A further reason for not revoking the export licences was that the single intelligence source of information about the use of the machine tools for munitions manufacture might have been compromised.

Much the same excuses could be made for ministers and officials once the Iran-Iraq war was over. Since the maintenance of military balance was no longer so important, it is not surprising that the Whitehall papers reveal a shift in inter-departmental power away from the FCO in favour of the Department of Trade and Industry. Indeed, it appears that the then trade minister, Mr Alan Clark, who is at the centre of allegations about collusion to breach government guidelines, responded to FCO foot-dragging over exports to Iraq in characteristic fashion. Clark, a notorious loose cannon, appears to have encouraged his department to license Matrix Churchill's exports before obtaining the endorsement of the FCO, thereby bouncing the diplomats into a retrospective endorsement.

Meanwhile, Mr William Waldegrave, then minister of state at the FCO, stated in a letter to Mr Clark in April 1989 "that we should continue to interpret the guidelines more flexibly in respect of Iraq" – an unpublicised policy change that took place in late 1988. The political background, including Iran's hostile role in the Salman Rushdie affair, was specifically cited as a reason for the pro-Iraqi bias. The letter went on to suggest these weasel words for parliamentary use: "The guidelines on the export of defence equipment to Iran and Iraq are kept under constant review and are applied in the light of prevailing circumstances, including the ceasefire and developments in the peace negotiations."

Once again, a hard-headed observer might wonder whether this was really so shocking. Disclosure of a policy that discriminated against Iran would still have been potentially very damaging to British interests. And the fact that none of the Whitehall documents released to the court carries any hint that civil servants had worries about a breach of guidelines, or wished to flag their dissent, leaves open the possibility that no one in Whitehall thought twice about the issue.

The sale of dual-use equipment has long been the subject of debate in Whitehall, with the DTI tending to put weight on commercial interests, while the FCO's priorities are more political. In this particular case the West Germans and Italians, not noted for their delicacy over the sale of defence-related equipment, were competing for the business. It is scarcely surprising that successive trade ministers, Mr Clark and Lord Trefgarne, are revealed in secret papers as being in favour of a more emollient approach to exports to Iraq.

But in the final analysis *realpolitik* arguments have to stand up to the test of success or failure. And in this case success is hard to perceive. Whether, for example, the intelligence that subsequently emerged via Matrix Churchill was of any value seems questionable.

For a start, Mr Paul Henderson seems to have been a remarkably amateur spy, who cheerfully admits to having served MI6 for a long time before he recognised the extent of the risks he was running. Having been instructed by his control to write nothing down and to memorise all telephone numbers, he recorded the numbers against fictitious names that he invented because his memory was poor. This looks potentially deadly for anyone at the other end of the line – an extraordinary gaffe, given the fact that Henderson reported to a chairman who was himself a high-ranking Iraqi intelligence officer.

Perhaps MI6 felt the risks were acceptable when Iraq appeared to be close to achieving nuclear capability and intelligence was thus at a premium. But in the absence of conclusive evidence, all we know for certain is that any intelligence thus gleaned signally failed to prevent Iraq's invasion of Kuwait.

In the 1980s Britain started putting its money on Saddam Hussein, in much the same way that it had gambled on the Shah in the 1970s. In both cases, commercial interests were given excessive weight, and the political reporting on the spot failed to grasp the things that really mattered. The best that can be said is that this time the FCO did at least have some inkling of the menace of Saddam Hussein's regime, which was expressed in Mr Waldegrave's letters to his fellow ministers; also that the prime minister, Mrs Thatcher, expressed worries about exports to Iraq.

But only weeks before the invasion of Kuwait the MoD was calling for the removal of export restrictions and Mr (now Lord) Ridley, Whitehall's other and weightier loose cannon, then trade secretary, was writing a letter to the prime minister that reads like a lament for the deterioration in Britain's relations with Iraq.

Despite the newly discovered information about the Iraqi supergun and Britain's recent interception of shipments of nuclear triggers and supergun parts, Ridley expresses in his letter implicit concern about Customs & Excise investigations into exporters to Iraq. And despite the obvious signs of the growing dangers arising from Iraqi trade, he states: "I can see no prospect of any improvement in the position while investigations into possible breaches of export controls continue. On the contrary, I see a considerable risk of further deterioration from which only our competitors can benefit since we have no evidence that they take as restrictive a view as we do on trade with Iraq". Yet it should have been clear by then, even without hindsight, that the problem was too much trade with this dangerous regime, not too little.

The prime minister's response, and the outcome of meetings to discuss Customs & Excise investigations and to discuss a review of the policy are, sadly, unrecorded in the court documents. Could it be that ministers concluded that their position would look even more foolish and improper if they sought to block the independent-minded Customs men in the legitimate pursuit of their duty?

As for the commercial gains and losses from the episode, they were probably negligible or worse, since the Export Credits Guarantee Department had a £1bn exposure to Iraq, on which the Iraqis defaulted. The British taxpayer, therefore, has had to pay a substantial bill.

But perhaps the grubbiest aspect of the saga was the readiness of four ministers, Michael Heseltine, Kenneth Clarke, Malcolm Rifkind and Tristan Garel-Jones, to sign public-interest immunity certificates that could have condemned three men to jail. In this instance, ministers failed to suppress information – the one failure for which there is reason to be grateful.

BOOK REVIEW

Castro's ticking clock

CASTRO'S FINAL HOUR
By Andres Oppenheimer
Simon & Schuster, $25, 462 pages

CUBA AFTER COMMUNISM
By Eliana Cardoso and Ann Helwege
The MIT Press, $24.95 in Europe ($17.95 in US), 148 pages

Fidel Castro, leader of the Cuban revolution and head of one of the few remaining hard-line communist states, is now courting foreign capitalists in an attempt to sustain the island's economy and his grip on power.

Since the fall of his Soviet benefactors, which removed a vital source of aid and trade, Castro's regime has struggled to find the hard currency it needs to import food and the luxury goods required by its tourist industry.

Though it has had some success in attracting investment through joint ventures in tourism, other initiatives have been less successful. A lack of clear rules about property rights is one important reason.

Castro seems to think he can create islands of capitalism in a socialist state. But seeking to encourage profit-seeking companies from abroad while repressing local entrepreneurs is contradictory and unlikely to work, as these two books make clear.

"Attracting capital to modernise and expand Cuba's productive capacity requires privatisation. Joint ventures alone will not do the job. Cuba needs more than big hotels; it needs everything from hot-dog stands to fax machine outlets," say Cardoso and Helwege, two US academics.

Castro's willingness to get close to foreign capitalists shows his pragmatic nature. Expelling foreign investors was, after all, one of the tenets of his revolution. However, he has opposed the measure that would do most to increase Cuba's own food output: allowing smallholders to sell surplus food at market prices.

Castro tried this in the early 1980s, but banned it again in 1986. Perhaps the main reason for his change of heart was a fear that further development of the market would have proved impossible for him to control.

In this respect – the preservation of control – Castro's political acumen should not be underestimated. According to Oppenheimer, a Pulitzer Prize-winning journalist on the Miami Herald, Castro understood long before most of his subordinates the threat posed by Gorbachev's reforms for the Soviet Union and, by extension, for Cuba.

Castro has also been skilful in his dealings with the opposition. By allowing opponents to leave the country, he has deprived the growing numbers of disaffected Cubans of a focus. The vociferous right-wing exiles may think of themselves as the country's next leaders, but they have little support inside Cuba. For one thing, as Oppenheimer points out, Cuba is overwhelmingly black and the exiles overwhelmingly white.

Greater equality between races was one of the achievements of Castro's revolution. The others – good healthcare and education and reasonably fair distribution of income – have set it apart from the rest of Latin America. But much of this was made possible by big subsidies from the Soviet Union and now the subsidies have gone.

Castro's Final Hour does a fine job of reporting recent developments in Cuba, some little known until now. Oppenheimer has pieced together, for example, the politicking behind the Fourth Communist Party Congress in 1991. Reform-minded party members in Cuba had hoped that this would start the process of change; instead Castro blocked reform. Since then, the Cuban regime has become more repressive.

Cuba After Communism looks forward to what Castro could do to avoid a violent end to his revolution and what action the world should take to ensure a peaceful transformation in Cuba.

Both books forcefully outline Castro's dilemma. He could embrace reform wholeheartedly, and risk losing control of the country but perhaps preserve some social benefits of the revolution. Or he could take the course he seems to have decided upon: make minor adjustments but allow no big change to the economic structure. Both books agree this will not be enough; in all probability, it will bring the economy closer to collapse and the revolution to a violent dénouement.

Oppenheimer's book convincingly argues that Castro's Cuba cannot survive in its current form. However, despite its somewhat hyperbolic title, it fails to make the case that the end is necessarily imminent.

Castro's character suggests that, anachronistic as his regime may now seem, he is unlikely to give up. He has been in even more desperate straits. His tiny band of 82 men was routed soon after landing in Cuba in 1956. But the men regrouped and gradually expanded their influence. Nor are there obvious leaders to organise a rebellion – since Castro has neutralised them – or mechanisms through which popular discontent could be expressed.

Those who want to see Castro ousted must therefore await a spontaneous revolt, the unlikely prospect of foreign military intervention or his death. Castro is only 67 years old; the final hour could yet be a long one.

Stephen Fidler

ECONOMIC VIEWPOINT

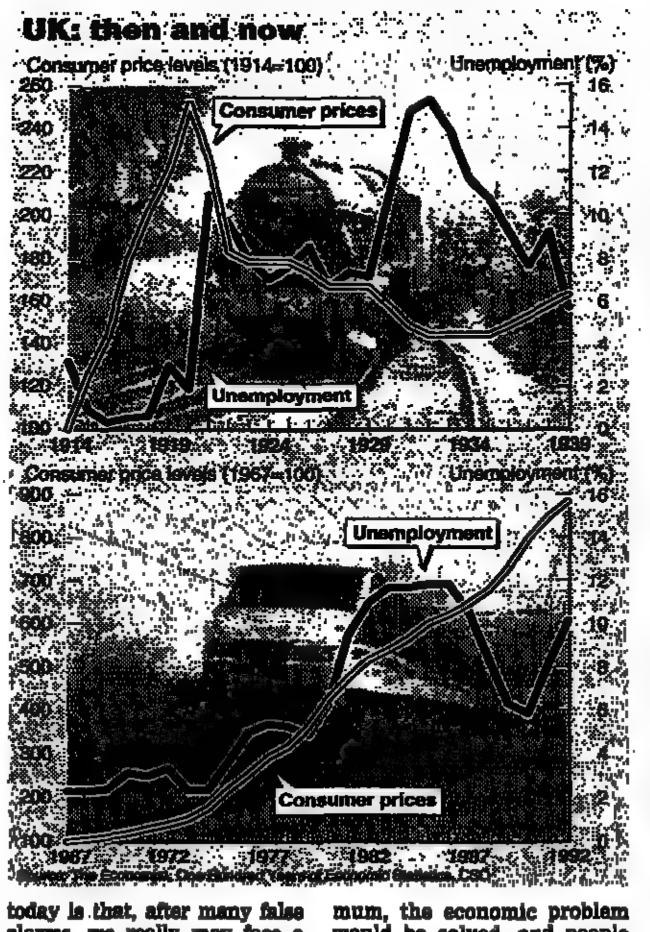
Learn from Keynes but don't be a parrot

By Samuel Brittan

Many years ago a reader wrote to the *Financial Times* to say that it was a revealing reflection on the would-be scientific standing of economics that exponents of rival theories thought it important to find chapter and verse for their views in Keynes – which they always can for, like most such figures, he said a great many things. Can one imagine the protagonists in a controversy in physics trying to advance their views by showing that they were implicit in some obscure passage in Einstein, and their opponents replying either that this was a misunderstanding or that it was all said better by Isaac Newton (the Adam Smith of physics)?

Yet *I* have been enjoying Robert Skidelsky's John Maynard Keynes, Volume II; The Economist as Saviour, 1920-37 (Macmillan, £20). Like the first volume, it is a good read and brings together history, biography, analysis and reflections. Unlike too many other writers on Keynes, Skidelsky supports some form of liberal capitalism; so I can be stimulated by the occasional disagreement without having to get into intellectual battle dress.

There are also striking parallels between today's problems and those of the interwar period, but equally important differences. An example of both is shown on the chart. The similarities are the very high rates of unemployment – although even here depression-mongers who quote crude numbers out of work overlook both population growth and the increase in workforce participation rates.



But of course the biggest discrepancy is in the behaviour of prices. Interwar consumer prices reached a peak in 1920. After that the price *level* – not just the rate of inflation – was on a falling trend. Thus in some respects Keynes had a much easier task than present-day advisers. For he could concentrate on fighting one evil – depression. Recent policymakers have had to contend with two evils – unemployment and inflation – pulling them in opposite directions. More fundamentally, we have learnt something "about the pathology of governments" since Keynes.

Indeed, the net impact of this biography is likely to be to reduce the exaggerated role so often given to the 1936 General Theory. Skidelsky obviously has a soft spot for the Treatise on Money, a rambling earlier work repudiated by card-carrying Keynesians, but perhaps more relevant to capitalism for most of its history.

The relevance of Keynes today is that, after many false alarms, we really may face a danger of deficient demand, that is, total spending in money terms not increasing fast enough for reasonable growth at a low rate of inflation. Keynes did assume, more often than not, that in such circumstances any boost to spending must take the form of infrastructure investment.

In 1928 he wrote in support of the Lloyd George Yellow Book: "When we have unemployed men and unemployed plant and more savings than we are using at home, it is utterly imbecile to say that we cannot afford these things [a programme of national development]." Skidelsky adds: "The whole subsequent history of the Keynesian revolution was not able to improve substantially on this rationale for state action to get an economy out of depression."

Keynes had moral and aesthetic reasons for favouring public investment. He envisaged a time when productive capacity would reach its maximum, the economic problem would be solved, and people left free to concentrate on higher matters; and he wanted a crash programme to accelerate this glad day. He also envisaged rebuilt British cities as noble beacons to the world.

Are there more prosaic reasons why a demand boost should take a fiscal form at all rather than a credit stimulus? And even if the boost has to be fiscal, why can it not be tax cuts to finance consumption?

What is wrong with Peter Jay's idea of a two months' holiday from VAT or income tax, which would inject £16bn into households (The Independent, November 10)? As Jay remarks, even if the beneficiaries used their windfall to repay debt, this would bring forward the time at which they felt secure enough to resume normal spending. The net effect is that the government would take over some of the personal sector's indebtedness.

Instead, the government is flying kites about a tax increase in the guise of higher National Insurance contributions, which can only depress personal spending power and which non-doctrinal common sense suggests should be postponed until economic recovery. Those whom the gods wish to destroy, they first make mad.

Public works have become respectable while tax cuts would be seen as a sign of governments gone mad

The sound, but probably temporary, reason for giving a demand boost a fiscal emphasis is that an all-out drive for very low interest rates would risk putting sterling under even greater downward pressure than it is already, which could feed back into inflation even at today's depressed level of activity. Last month's import price rise is a warning.

If the Bundesbank decides to pull out the anti-recession stops and go for cheap money, then the UK should do the same and go back to long-term fiscal guidelines. But we cannot leap too far ahead and would not do so even if Kenneth Baker (the Eurosceptic Pretender) were premier.

Within fiscal policy, some of the reasons for favouring public spending over tax cuts are perverse. Increased personal spending is supposedly more likely to go into imports – which would help other countries to fight recession, just as *their* tax cuts would help the UK. There is also the weak presumption that public investment will stimulate supply potential as well as demand, so that it would not be wasted even if the demand boost does not work or is mistimed.

My main reason for limited acquiescence in the infrastructure fashion is that it pays to bend to the mood of the times when no great evil is involved. Since Keynes's time public works have become more respectable, while reigning puritanical opinion is likely to think tax cuts a sign that "governments have gone mad".

Moreover, despite the many millions of words which have been written since Keynes's time, we are not really much wiser about how much a budget deficit matters in times of economic slack or how the relevant deficit should be defined. There is therefore a case for minimising the government's so-called "current deficit", if that will slightly reassure domestic business or international financial opinion.

A modern New Deal should be compatible with different theoretical models of the economy rather than be too dependent on any one being true. The more I think about it, the more this makes sense of many – although not all of – Keynes's multifold policy zigzags. The search for the one true Keynesian model is a wild goose chase, even though it was one in which the Master sometimes indulged himself.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Forced to forget principles

From Mr E N Addison.

Sir, The last sentence in your last paragraph of your leader, "The Matrix case" (November 10), tells in effect the whole story of this debâcle. You realise now that as a supporter of the Common Market you have to behave like your partners do – put your country first and forget your high principles.

It is also the reason why people like Alan Clark, the former trade minister, are of the right calibre to deal in our negotiations, as he has exactly the same attitude as have all our European partners. There were considerably more machine tools from the US, Germany, Italy, Switzerland and France used in the Iraq factories, although they all subscribed to the UN arms embargo and no fuss was made in these countries about their involvement, which was taken for granted.

Because of the internecine fight between government departments and the behaviour of our MPs, things have come out which would have been better left unsaid. This is the tragedy of it all and responsibility for this lies fairly and squarely with Civil Service intellectuals and MPs, both categories being completely devoid of any common sense.

E N Addison,
chairman,
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Elliott House,
Victoria Road, London NW10

Education in need of fewer new initiatives and more stability

From Mr Serge Louis.

Sir, Andrew Adonis is correct to warn that the new Education Bill could reduce the independence of state schools ("Classroom reform fails the freedom test", November 9).

As chairman of the governing body of a comprehensive school in the London Borough of Richmond, I have watched a never-ending stream of government initiatives, many inconsistent or contradictory, creating enormous amounts of work for teachers at the cost of preventing them from concentrating on teaching.

We have taken responsibility for a devolved budget of more than £3m and made major improvements at the school, proving that local management for schools (LMS) works. However, the governing body remains very suspicious of opting out to grant maintained status (GMS) because of the many imponderables. We have always received a good service from the local education authority and would be reluctant to change, especially because of the lack of clarity of what GMS actually means.

There are two main areas of concern, one organisational and one financial. Clearly the proposed funding agency will consist of unelected officials who will be difficult to influence. There would well be a centralised bureaucracy like the Department of Education which will be remote.

The financial difficulties are also significant as there is no way in which the level of education spending nationally is going to be increased and the bribes being offered to opting out schools cannot be sustained.

What schools now need is a period of stability rather than the constant change of the past five years.

Serge Louis,
chairman of the governors,
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Richmond TW9 4DG

Sentiments shared – so why not mentioned?

From Mr Howard Davies.

Sir, Your leader, "CBI obfuscation" (November 10), takes us to task on two points. First, you argue of our national manufacturing council report that "the overwhelming impression created is that government action is both the primary cause and cure for industry's weakness".

We had not intended to create that impression, and hoped that by saying, in paragraph 2 of the report, "The primary responsibility for winning internationally rests with UK industry", we had avoided it. Certainly your point is well understood here.

Second, you appeal for an employers' organisation "with the courage to tell its members and their employees that they should put profits and investment before increases in wages and executive salaries". I agree, which is why, in my speech to the conference, I described the 1967 devaluation experience and said that what was needed to avoid a recurrence was "tight control of wages in the private sector as well as the public. Settlements have fallen rapidly in the last two years but are still running at around 4.5 per cent. The challenge now is to push on down below that".

I went on to point out that "senior management pay, too, has been 'sticky downwards'" and emphasised the "duty on management to respond to the market-place and to the need to ensure that our economy is well-balanced and delivers prosperity for all out people". Since those sentiments accord quite closely with your own I found it odd that you did not report them.

Howard Davies,
director general,
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GATT negotiators would do better to talk of feeding Third World

From Mr Raymond Gely.

Sir, David Dodwell's article, "Trade war - what it means to you" (November 7), prompts me to raise a few more questions on the matter.

Mr Dodwell rightly mentions that, as far as oilseeds are concerned, the US is the world's largest OECD producer – accounting for 65m tonnes out of a world production of 86m tonnes and the world's biggest exporter, selling over 18m tonnes while the EC is the world's biggest importer (14m tonnes last year).

Do I understand that we have to accept that the US could export even more to Europe or we would face "sanctions"? Does it really mean that the Americans would demand an even greater share of the world trade in that agricultural sector, which in fact would lead to a quasi-monopoly? I learned on many different occasions that the American or European liberals were always strongly against trusts or monopolies.

How is it that they changed their views so drastically on this occasion?

I also wonder if the supporters of free trade feel very happy and comfortable in promoting a policy of desertification of Europe when hundreds of millions of people are suffering from malnutrition all around the world and hundreds of thousands of them – mostly children – are now dying of starvation in Africa?

Don't you think that the General Agreement on Tariffs and Trade negotiators – who have worked for six years already without reaching a trade agreement – would have achieved a better end by trying to organise on a world basis the ways and means of transferring the American and European food surplus to the famished population of the Third World?

How is it that the governments of the rich countries to which we belong are fighting each other on economic grounds and are not ashamed of leaving to charity or private organisation the greater obligations we have in the world of to-day, which is feeding the world population?

Raymond Gely,
ex-president of the French Chamber of Commerce in GB (1980-1983),
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OBSERVER

Advising the advisers

■ If Michael Heseltine really wants to put his own stamp on the Department of Trade and Industry should he really imitate his predecessor Lord Young by hiring a deregulation adviser to tackle yet more red tape?

Heseltine's ministry was supposed to be different.

It is over 13 years since a Conservative administration committed to improving efficiency and eliminating waste in government was first elected, and over seven years since the first of Lord Young's white papers entitled "Lifting the burden".

This led to the setting-up of an advisory panel on deregulation filled with hard-headed business types and currently headed by Slough Estates' Sir Nigel Mobbs.

Now Hezza has hired Lord Sainsbury as part of a "renewed campaign" to tackle the "burden of red tape" imposed on business. His role will be "complementary" to that of Sir Nigel's panel. It sounds like the authorities are suffering from a surfeit of "red tape" advisers.

Lord Sainsbury is an excellent businessman. During his 23 years as chairman of the Sainsbury supermarket chain, profits rose from £4m to £628m and market share more than quadrupled.

He is not the sort of person to be taken in by government gimmick. Perhaps he is being spurred on by the thought that he can do a better job advising government on how to cut waste than did his old rival Lord Rayner, the former chairman of Marks & Spencer? After all there is not a lot of love lost between Britain's two premier retailers and Sainsburys overtook M&S in terms of sales during Lord Sainsbury's time at the helm.

That said, there has to be a limit to how far an analysis of how to cut red tape by even Britain's best-run retailers can help the understanding of the rest of British industry. Supermarket chains with captive domestic markets do not have to worry about breaking into export markets, for example.

Re-touched

■ South African rugby fans confidently expect to recover the price of their tickets for Saturday's game – up to £500 on the black market, I'm told – by backing the Springboks at what they consider to be attractive odds.

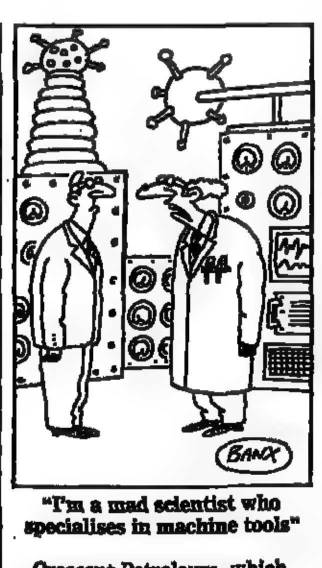
Ladbrokes has opened its books on what some see as a re-run of the Boer War, offering 3-1 against a South African victory; 2-9 on an English win, and 14-1 on a draw.

Pistol-packing

■ Observer hears that Matrix Churchill's involvement in retooling Saddam Hussein's war machine was not confined to supplying high-tech machine tools.

A gold-plated, pearl-handled pistol was ordered from Asprey's, the Queen's jewellers in New Bond Street, and was dispatched to the then Iraqi minister of military industry, Hussein Kamel, who is Saddam's cousin and married to his favourite daughter. Asprey's "highly decorated" handguns can cost as much as £35,000 although a boxed pair of Browning pistols with gold inlay can be picked up for a mere £17,000.

Whether Kamel took delivery of the Matrix gift is unclear, but it sounds as if he already has plenty of pistols.



"I'm a mad scientist who specialises in machine tools"

Crescent Petroleum, which produces oil from an offshore field in the Gulf, bought him an Asprey's pistol a couple of years ago. It reached Baghdad airport just before the invasion of Kuwait.

Dirty tricks

■ Canada's Conrad Black, the new boy on the Australian newspaper block, may be bending over backwards not to upset the locals, but rival Rupert Murdoch's men are not making life easy for him.

No sooner had Black demonstrated his love for local journalists by rehiring a couple of old Fairfax hands to edit two of his Fairfax flagships, than a rogue columnist on his newly acquired Australian Financial Review attacks the changes.

Peter Robinson, a Review columnist and former editor, says the episode is part of a wider effort to bring Fairfax into line with the "rougher culture" favoured by Murdoch and fellow media tycoon, Kerry Packer.

Having spiked Robinson's column, the Review's new editor was somewhat surprised to see it appear in the Murdoch-owned Australian, the country's leading national daily. Students of media studies will remember that this is not the first time the Murdoch camp has tried to embarrass Black.

Not so long ago a memo from Black's Daily Telegraph management in London detailing the alleged shortcomings of the Fairfax team fell into the hands of Murdoch's men and was published at length.

Expect more of the same.

Biting back

■ Sad to hear that *Culicoides impunctatus*, the super-midge whose bites are the abiding memory of many a tourist to the Scottish Highlands, has won a reprieve.

The government has squashed tourist industry proposals to support the introduction of two of the midge's deadly enemies – the oddly-named Natterer's bat and a red mite – into the Highlands. The plan was that these exotic predators would devour the midges.

However, Lord Fraser of Carmyllie, the Scottish Office minister, has told the House of Lords that the Natterer's bat "would probably have to consume a considerable number of midges before it had a substantial high tea". More worrying was what the bat would eat when the offending midges were not in season.

Pound plummets

■ The pound in your pocket is worth . . . one thin dime, reports one of Observer's bargain-hunting spies who recently picked up a £1 coin for 10 cents at a garage sale in Florida.

FINANCIAL TIMES
Thursday November 12 1992

Brussels accuses US shaver group of abusing dominant market position

EC orders Gillette-Wilkinson split

By Andrew Hill in Brussels and Guy de Jonquières in London

THE European Commission yesterday gave Gillette, the US shaving products and toiletries group, six months to shed its financial interests in Wilkinson Sword, its main competitor, and hand back Wilkinson's former businesses in several non-EC countries.

The order follows broadly similar actions by competition bodies in Britain and Germany. Gillette's links with Wilkinson are also being investigated by authorities in other countries, including France and Australia.

Gillette owns 22 per cent of Eemland, Wilkinson's Dutch-registered parent company, to which it has also made a sizeable loan. The Commission said these arrangements, along with pre-emption and conversion rights and options in Eemland, enabled Gillette to influence the latter's commercial policy.

This constituted an abuse of a dominant position by Gillette, which has an estimated 70 per cent of the world market for wet shaving products. Wilkinson makes most of its sales in Britain and Germany.

The Commission has ordered Gillette to dispose of its equity interest in Eemland and the loan. The six-month deadline was not announced officially but was confirmed by industry sources.

Gillette must also hand back to Eemland former Wilkinson operations in the countries of the European Free Trade Association, eastern Europe, eastern Germany and Turkey.

The Commission said agreements between Gillette and Eemland to split the Wilkinson trademark between the EC, where it is controlled by Eemland, and other European countries, where Gillette operates both brands, necessitated co-operation between the two companies.

Gillette yesterday denied influencing Eemland and said it would consider launching a court appeal against the Commission order, as it has done against the British and German decisions.

Gillette said it did not expect Brussels' action to affect a decision by Eemland last month to seek a buyer for Wilkinson. Eemland has denied that the planned sale was influenced by anti-trust pressure on Gillette.

Mr Mike Dowdall, Eemland's chairman, said he expected to have sold Wilkinson before Gillette was obliged to sever its links with Eemland.

Mr Dowdall said he had received inquiries from about 10 companies and "indicative bids" from two of them.

Gillette's involvement in Eemland began three years ago when the latter was formed to buy the former Swedish Match consumer products business, including Wilkinson, from Stora Kopparbergs, Sweden's leading paper and forest products company.

As well as taking a 22 per cent non-voting stake in Eemland, Gillette lent the company $69m at a high rate of interest. The value of the loan is believed to be much greater today, since the interest on it is being capitalised over its lifetime.

Gillette also purchased all Wilkinson's non-EC operations. However, it was later compelled by the US Justice Department to sell the US business back to Eemland.

The Commission said any buyer of Gillette's equity stake in Eemland would be required to assume responsibility for the loan by the US company. If a buyer could not be found, Gillette might have to write off the loan.

THE LEX COLUMN

Telephone exchanges

A quick glance at Cable and Wireless's agreement to sell 20 per cent of Mercury to BCE for £480m might give investors the wrong impression. Lord Young, C and W's chairman, was busy yesterday trumpeting the synergies which would flow from co-operation between the two groups. Yet in anything except the long-term these are fairly limited. Northern Telecom, partly owned by BCE, is already a supplier to Mercury. Given the cut-throat way in which equipment suppliers vie for business, Mercury would be unwise to allow that relationship to become too cosy. Nor is Bell-Northern Research likely to hand Mercury all of its best ideas for nothing, however friendly the companies become. As for BCE's UK cable television services, Mercury has to treat all cable companies equally and in any event already supplies all the telephone services required.

Of course, the two may eventually find projects to develop jointly. But success will depend on their fostering a collaborative spirit, something which has eluded many alliances before. The financial benefits to C and W are clearer. The price is reasonable. In the absence of a deal, capital outflows over the next two years would have increased gearing from 26 per cent to around 45 per cent. While that is not abnormally high for a telecoms company, C and W is clearly in a better position to pitch for new franchises – from Bulgaria to Sweden – with a strengthened balance sheet. Having an equity partner and a valuation placed on Mercury may also reassure governments thinking of hiring C and W that the company is not overstretched. Still, it is hard to escape the feeling that this is a deal for a deal's sake. With the global telecoms business in flux, it seems C and W wanted a partner. Whether it has found the right one remains to be seen.

FT-SE Index: 2696.8 (-17.8)

HSBC Holdings

HSBC's value has risen from 2 per cent to 2¼ per cent of the All-Share since it joined the index in the summer. So it was no surprise to see institutions scrambling to take advantage of yesterday's £435m share offer. Simply accepting HSBC's paper for Midland would have left them seriously underweight in a company whose total capitalisation is in the process of overtaking that of BAT. Still, institutions who waited until yesterday to make good the shortfall have done themselves no credit. The bank has outperformed the market by some 50 per cent since July.

Latecomers can cover their embarrassment by claiming that the party does not look quite over. Hong Kong equities have proved resilient in the face of China's frosty response to Mr Christopher Patten's democracy proposals. Local banking profits remain buoyant. HSBC should easily be able to earn in excess of 50p this year which puts it on an undemanding forward multiple of around 10.

But the glow cannot last for ever. HSBC does not need the proceeds of the issue. Tier 1 capital will rise from a comfortable 6.4 per cent to a supremely comfortable 6.9. The fact that it has chosen now to tuck the extra capital away must say something about its own perception of its share price. Once US interest rates turn, Hong Kong's economy, and therefore the prospects for HSBC, could look distinctly different.

Siemens

The important message from Siemens is contained in the unchanged dividend, not in yesterday's 8.9 per cent after-tax profits advance. That result may have been marginally better than the market was expecting, but then there is always scope to smooth the numbers, and high D-Mark interest rates will have had a particularly beneficial effect on financial income this time.

In the absence of more specific guidance Siemens' second successive pegged payout must be interpreted as a pessimistic sign for the future. The problems at Nixdorf and in semiconductors obviously remain deep-rooted, even if the haemorrhaging from computers has been staunched to some extent. Stronger businesses such as telecommunications and medical systems could conceivably lose some of their shine: the one if Deutsche Telekom turns into a more cautious buyer, the other if President Clinton carries out his threat to curb US healthcare costs. Over-riding all this is the German economic slowdown, and the impact of a revalued D-Mark on competitiveness abroad.

There is little reason to think, however, that in the long run Siemens is other than a proxy for the German stock market. Over five years it has performed exactly in line; over 10 years it has underperformed by a mere 2 per cent. Deutsche Bank's downgrading yesterday of corporate earnings for 1992 and 1993 will hardly encourage the many investors who have lately reduced their German weightings to change their minds.

Pharmaceuticals

Third quarter results from Astra of Sweden yesterday are a reminder that it is fast catching up with the giants in ulcer treatment. Around two-thirds of Glaxo's profits come from Zantac, its market-leading ulcer drug, and SmithKline Beecham plays a profitable second fiddle. Little wonder the market is asking how the £5bn sector will be carved up later this decade.

While Astra is gaining ground in Europe, it has yet to convince the US regulators its drug is safe for a wide range of applications. With 10 similar approvals in Europe this is surely only a matter of time. SmithKline loses its US patent in 1994. With the extra mass created by the merger, it can ride out the decline. But cheap generic competition would be bad news for Glaxo. More importantly, Glaxo must defend Zantac's patent in the US courts. If it fails, sales will slump from 1995 when the current patent expires. The next generation of ulcer drugs is promising enough, but Glaxo is hardly likely to have them ready in time.

If the patent can be defended, the company should have enough firepower in ulcer treatment and elsewhere to maintain a more than respectable rate of growth. With prospects elsewhere so bleak, Glaxo does not look unduly expensive even on a multiple of 20 times next year's forecast earnings. On a prospective multiple of 18 and with a growing international following, though, Astra is starting to look cheap.

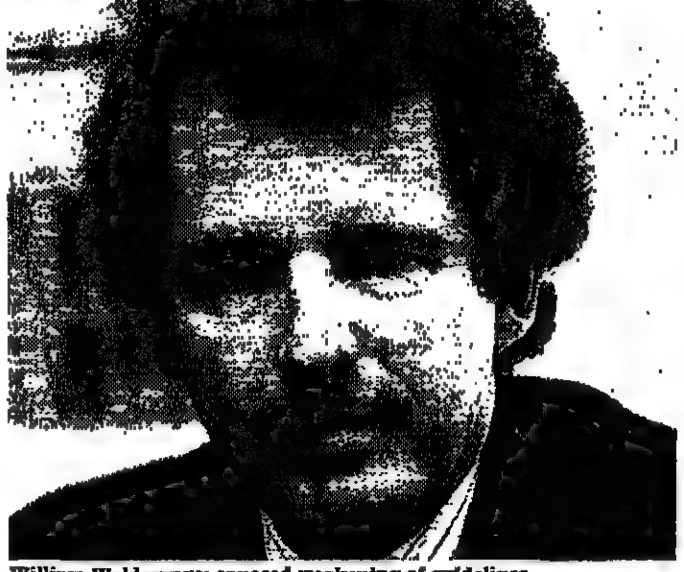
UK kept new policy on Iraq arms sales secret from MPs

By Philip Stephens in London

BRITISH government ministers agreed in 1989 to withhold from parliament details of a decision to re-interpret the rules banning the sale of defence-related equipment to Iraq.

The agreement, revealed in previously classified Whitehall documents uncovered during the unsuccessful prosecution of three directors of Matrix Churchill, a machine tools manufacturer, is likely to add fuel to the political storm over the illicit defence trade with Iraq.

The latest disclosures came as opposition parties made fresh allegations over the UK government's role in the Iraqi arms build-up and subsequent attempts at cover ups. Mr Paddy Ashdown, the Liberal Democrat leader, challenged Mr John Major, the prime minister, on his past statements denying any wrong-doing by the government.



William Waldegrave: opposed weakening of guidelines

The 500 pages of documents examined by the Financial Times reveal consistent efforts by ministers at the Department of Trade and Industry to weaken or remove the official guidelines. The policy was opposed, with only limited success, by Mr William Waldegrave, then a foreign office minister and now a member of Mr John Major's cabinet.

The papers include several specific references to a decision in 1989 to withhold from MPs details of the relaxation in the interpretation of the rules which had been set out in 1985 by Sir Geoffrey Howe, then foreign secretary.

They show that while the UK government was committed publicly to an even-handed approach to defence-related exports to Iran and Iraq, in practice the regime applied to Baghdad was significantly more liberal than that imposed on Tehran.

The relaxation for exports to Iraq was agreed in December 1988 – some five months after a ceasefire agreement had ended the Iran-Iraq war. The shift in policy was subsequently used by the DTI to justify its backing for the export of the machine tools at the heart of the failed prosecution of Matrix Churchill.

In April 1989, ministers decided on a form of words to be used in parliament which was broad enough to encompass the shift but would not signal to MPs that their approach had changed.

The careful phrasing was settled on in a meeting between Mr Waldegrave, Lord Trefgarne, then defence procurement minister, and Mr Alan Clark, then trade minister.

Mr Waldegrave successfully resisted pressure from his colleagues for abolition of the Howe guidelines. But his private secretary's summary of the meeting's conclusions, set out in a letter to Mr Clark dated April 27 1989, recorded: "We agreed that we should continue to interpret the guidelines more flexibly in respect of Iraq, as we have done in practice since the end of last year; but that we should revert to a stricter interpretation for Iran, along the lines which operated before the ceasefire."

The document adds: "It was preferable not to have to announce publicly any change in them [the guidelines]."

The words to be used if ministers were "pressed" on the issue in parliament was: "The guidelines on the export of defence equipment to Iran and Iraq are kept under constant review, and are applied in the light of prevailing circumstances, including the ceasefire and developments in the peace negotiations."

Ministers were concerned not to worsen relations with Iran by admitting the rules were being applied unevenly. A few days earlier Mrs Margaret Thatcher had told the House of Commons: "The government have not changed their policy on defence sales to Iraq."Whitehall officials said the DTI had been in tune with the "prevailing view" in 10 Downing Street that UK commercial interests had to be protected.

Bank of England to help fight inflation

By Peter Norman, Economics Editor, in London

MR Robin Leigh-Pemberton, governor of the Bank of England, yesterday committed the Bank to do all it could to achieve price stability and "demolish the UK's image as a second-rate, inflation-prone economy".

Delivering the Bank of England lecture at the London School of Economics, Mr Leigh-Pemberton said Britain must never again experience the boom-bust cycle. He called for a national consensus in favour of stable prices.

The governor said recent successes in reducing inflation justified easing UK monetary policy since sterling's departure from the European exchange rate mechanism eight weeks ago.

But speaking on the eve of today's announcement by Mr Norman Lamont, the chancellor, of public spending plans for the next three years and special measures to revive confidence in the economy, he warned that if the policy easing began to fuel inflation, "we would have no hesitation in reversing it".

Mr Leigh-Pemberton did not advocate a target of zero inflation for Britain but threw his weight behind Mr Lamont's long-term goal of "2 per cent a year or less" in the rate of retail price inflation excluding mortgage interest payments.

But his speech amounted to a warning to the government not to succumb to inflationary pressures. Governments had a moral duty to achieve price stability. "Inflation is about the honesty of government policy," he said.

The governor disclosed that the Bank will publish the first of its quarterly reports on inflation in February, alongside its regular quarterly bulletin. These reports, foreshadowed by the chancellor some weeks ago as part of a new more open approach to policymaking in Britain, would "put the bank's professional competence on the line", he said.

They would not be restricted to a discussion of the past but would cover likely developments in the short and medium-term to produce a "wholly objective and comprehensive analysis of inflationary trends and pressures".

Today's autumn statement will echo the governor's strong anti-inflation stance by reaffirming the government's commitment to keeping underlying inflation in a 1 to 4 per cent band over the life of this parliament. The chancellor will also unveil economies that have enabled the government to keep its spending plans within the preset "planning total" of £244.5bn for 1993-94.

But Mr Lamont's package will also provide for a number of measures to boost confidence, activity and investment in industry and the housing market. The government is widely expected to approve a further cut of perhaps 1 percentage point in bank base rates from 8 per cent, either today or in the near future.

Editorial Comment, Page 16
Jubilee line, Page 11

Iraq arms man was granted US immunity

Continued from Page 1

US prosecutor on the BNL case.

The granting of immunity to Mr Henderson has until now effectively blocked any Atlanta trial involving Matrix Churchill, which could have resulted in the same kind of embarrassing revelations as the collapsed Matrix case in London. US Customs officials are still investigating Matrix Churchill in Ohio.

Yesterday in Atlanta, an angry Judge Marvin Shoob – the federal judge who presided over BNL Atlanta hearings and claimed last month that senior officials of the Bush administration helped to shape the case – yesterday said he was not aware until last week of the immunity agreements which had been struck.

Judge Shoob demanded repeatedly in the BNL hearings to know why no one from Matrix Churchill was prosecuted.

In Washington, the Department of Justice could not be reached for comment yesterday because it was closed in observance of the federal Veterans Day holiday.

Kohl and Major patch up recent quarrels

Continued from Page 1

countries showing that costs could be cut "very substantially".

Mr Kohl added that a compromise on EFA was "a precondition for an efficient European aerospace industry".

Mr Major appeared particularly pleased at Mr Kohl's understanding for his domestic political difficulties over the Maastricht treaty.

However, the prime minister remained ambiguous about the exact timing of ratification. Mr Major hinted that the committee stage for the Maastricht bill could continue beyond May next year.

But he did not rule out British ratification before a second Danish referendum on the treaty later next year.

Testifying to the warmth of yesterday's gathering, Mr Kohl smoked his pipe continuously throughout the morning session at Ditchley Park – a generally reliable sign of contentment.

German officials said Mr Kohl was unusually relaxed yesterday. "He likes Major", one official said.

However, Mr Kohl refused to answer a question over whether Germany had offered Britain the chance of a formal sterling devaluation within the European Monetary System in September.

German officials have suggested this would have prevented the speculative currency flare-up and Britain's exit from the exchange rate mechanism. "You and I can write about this when we are in retirement," the chancellor joked.

World Weather

		°C	°F
Ajaccio	C	17	63
Algiers	S	19	66
Amsterdam	R	12	54
Athens	F	17	61
Bahrain	S	28	82
Bangkok	F	27	81
Barcelona	C	17	63
Beijing		-	-
Beirut	S	22	72
Belfast	F	6	43
Belgrade	R	12	54
Berlin	C	10	50
Biarritz	C	14	57
Bombay		-	
Bordeaux	R	15	59

		°C	°F
Boulogne	C	13	55
Brussels	R	12	54
Budapest	S	8	46
Buenos Aires	R	24	75
Cairo	F	24	75
Cape Town	S	21	70
Caracas	C	28	82
Casablanca †	S	20	68
Chicago †	C	4	39
Cologne	R	13	55
Copenhagen	C	7	45
Corfu	C	17	63
Dallas †	C	20	68
Dublin	S	7	45
Dubrovnik		–	-
Edinburgh	S	7	45
Faro	F	19	66
Florence	C	15	59

		°C	°F
Frankfurt	R	10	50
Geneva	R	11	52
Gibraltar	S	18	64
Glasgow	F	6	43
Helsinki	C	3	37
Hong Kong	F	19	66
Innsbruck	C	7	45
Inverness	F	5	41
Islamabad	F	24	75
Istanbul	S	30	86
Jakarta	R	31	88
Johannesburg	S	26	79
Lisbon	C	17	63
London	C	7	45
Los Angeles †	S	11	52
Luxembourg	C	11	52
Madeira	F	21	70
Madrid	R	13	55

		°C	°F
Majorca	C	20	68
Malaga	S	20	68
Malta	F	22	72
Manila	C	25	77
Melbourne		–	–
Mexico City	C	19	66
Miami †	C	24	75
Milan	C	8	46
Montreal †	C	4	39
Moscow	S	-2	28
Munich	R	9	48
Nairobi	C	24	75
Naples	R	19	66
Nassau	C	28	82
New Delhi		–	–
New York †	C	9	48
Nice	F	17	63
Nicosia	C	21	70

		°C	°F
Oporto	C	15	59
Oslo	C	3	37
Paris	C	13	55
Prague	R	8	46
Reykjavik	C	-3	27
Rhodes	S	18	64
Rio d'Janeiro	C	32	90
Rome	F	20	68
Salzburg	C	10	50
S'Francisco †	C	7	45
Seoul		–	–
Singapore	F	30	86
Stockholm	C	5	41
Strasbourg	R	12	54
Sydney	S	20	68
Taipei	C	16	61
Tangier	S	20	68
Tel Aviv	F	22	72

		°C	°F
Tenerife	F	21	70
Tokyo		–	–
Toronto †	R	9	48
Tunis	F	24	75
Valencia	C	23	73
Venice	C	10	50
Vienna	C	9	48
Warsaw	R	3	39
Washington †	F	8	46
Zurich	R	9	48

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

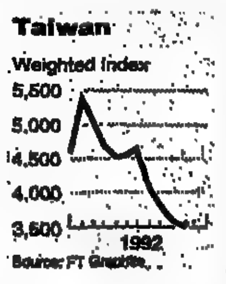
Thursday November 12 1992

INSIDE

Bank Austria opens branch in Russia

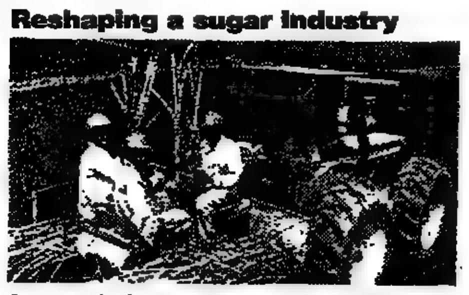
Bank Austria has become the first non-Russian bank to receive a licence to operate a branch in Russia. The branch will initially concentrate on providing foreign exchange and payment services to local banks and Russian companies with hard currency earnings. It will also service western companies. Page 20

Taiwan loses its allure



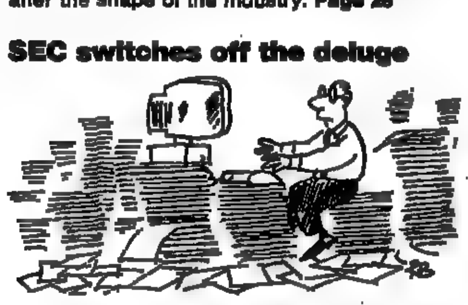
In the golden days of 1989, average daily turnover on the Taiwan Stock Exchange used to exceed T$150bn ($5.8bn). By Tuesday this week it hit a three-year low of T$5.7bn, underlining the extent to which the Taiwanese have lost confidence in their stock market. Around 70 per cent of investment capital in Taiwan comes from individuals, rather than institutions. Back Page

Reshaping a sugar industry



South Africa's sugar sector is split between 2,000 mostly white commercial growers and 40,000, mainly black, small growers. The latter farm about 20 per cent of the total area under cane, but produce only 10 per cent of the crop. However, in April these growers launched the Small Grower Development Trust, which could alter the shape of the industry. Page 28

SEC switches off the deluge



Every year the Securities and Exchange Commission (SEC) is deluged with 10m pages of documents filed by corporations and investment companies. Now an electronic filing system is ready to revolutionise the way corporate information is disseminated in the US. Page 24

Solvay takes centre stage

Solvay, the Belgian chemical group, has been thrust centre stage over the past 18 months after completing three takeovers. Page 20

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Chief price changes yesterday

FRANKFURT (DM)

Rises			
Beiersdorf	680	+	28
DLW	454	+	10
Falls			
Asko	484	-	20
GEHE	406	-	13.5
Volkswagen	256.8	-	8
Wella Prf	550	-	10

NEW YORK ($)

Rises			
Gap Stores	31⅛	+	⅞
Johnson & J	50⅞	+	1⅛
Merck	44⅞	+	2⅛
Nordstrom	35⅛	+	3½
Falls			
Intl Paper	66	-	⅛
Wal-Mart	62	-	⅝

Paris closed.

TOKYO (Yen)

Rises			
Daiichi Housing	210	+	14
Hinode Kisen	235	+	22
Kurabo	395	+	25
Falls			
Daiwa Kosho	120	-	14
Iruibuta	1030	-	90
Kanda Tsushin	330	-	30

LONDON (Pence)

Rises			
Allied Irish	174	+	8
Amersham Intl	555	+	20
Anglian Water	454	+	15
Bibby (J)	128	+	6
Dickie (J)	93	+	5
Isotron	212	+	12
Jessups	65	+	10
King Shaxson	87	+	21
Lasmo	160½	+	5½
Mitchison Wtr	392	+	19
Proteus Intl	416	+	16
TVS Ent	28½	+	1½
Telemetrix	67½	+	7½
Union Discount	61	+	7
Falls			
Archer (AJ)	50	-	4
Assoc Br Foods	421	-	14
Beverley	10	-	2
NatWest Bank	389	-	12
Newman Tonks	90	-	5
Sainsbury (J)	479	-	13
Simon Eng	74	-	5
Taylor Woodrow	67½	-	7½
Transtec Tech	285	-	31

C and W agrees alliance with BCE

By Roland Rudd and Hugo Dixon in London

CABLE and Wireless, the international telecommunications group, yesterday announced the sale of 20 per cent of its Mercury Communications subsidiary for £480m ($724m) to BCE, the Canadian telecommunications group.

At the same time, C and W is investing £30m in BCE's UK cable television interests, which are beginning to provide local telephone services to residential customers and small businesses.

The two groups said they hoped the deal would support a "major alliance" which would pursue opportunities around the world.

Mercury and the BCE's cable interests are both rivals of British Telecommunications, which dominates the UK telecommunications market. The partners hope the new alliance will enhance their ability to compete with BT.

Mercury, which has focused mainly on long-distance services in its 10-year history, has about 7 per cent of the market.

BCE, Canada's largest company, has interests in cable franchises covering 1.8m homes and 120,000 businesses, most of them in central London. It has only a few thousand customers using its telephone services but it plans to expand.

Both groups said they would not accelerate their investment programmes as a result of the deal. Mercury will continue to invest around £400m a year.

C and W will make an exceptional profit of about £300m on the sale because the amount BCE is paying is significantly higher than 20 per cent of Mercury's net asset value.

Lord Young, C and W's chairman, said: "We are getting proper value for our shares in Mercury." The deal was welcomed in the City of London, where C and W's shares closed 9p up at 658p.

The cash from the deal will in the first instance be used to reduce C and W's gearing by about 20 percentage points. In the longer term it will allow the group to pursue investment opportunities outside the UK.

The two groups have agreed not to buy shares in each other for the next five years unless they receive a hostile bid.

BCE has the right to appoint two directors to Mercury's board and a senior executive to the company's chief executive's committee. But it has no option to increase its share in Mercury.

C and W's investment in BCE's UK cable interests will be a combination of equity and convertible securities. C and W will have an initial shareholding of 12 per cent, rising to 20 per cent on full conversion.

Lex, Page 18; Background, Page 27

O&Y warns of liquidation threat

By Bernard Simon in Toronto

OLYMPIA & York has warned creditors that failure to approve a debt-structuring plan later this month will probably lead to the company's bankruptcy and the forced liquidation of its assets.

O&Y, which was the world's biggest property developer before it filed for court protection in May, said in a letter to lenders that unsecured and under-secured creditors were likely to receive nothing if it is forced into liquidation.

This group of creditors holds more than C$4bn (US$3.2bn) of O&Y's total debt of C$13.5bn. The restructuring proposals cover C$8.6bn of debt.

Thirty-four groups of creditors will vote on O&Y's proposals at meetings scheduled to be held in Toronto between November 25 and November 30.

Canada's Companies Creditors Arrangement Act, under which O&Y is operating, is silent on the precise proportion of votes required for the plan to go ahead. The final decision will rest with an Ontario judge.

The company hopes to obtain the approval of all 34 groups, but is confident that it can implement the restructuring without the endorsement of some of the smaller groups whose claims relate to specific buildings.

The approval of the unsecured creditors, whose vote is scheduled for November 30, is viewed as crucial. In their present form, O&Y's proposals provide for the unsecured and under-secured creditors to acquire a 90 per cent equity stake in the parent company, Olympia & York Developments.

O&Y's US and Canadian properties would be spun off into two new separate companies in which creditors would also have a substantial shareholding. The viability of the plan depends heavily on an upturn in the North American commercial property market.

O&Y's proposals assume a substantial increase in rental incomes over the next five years to finance improvements in the buildings which it will continue to manage. The plan does not cover the Canary Wharf project in London's Docklands or negotiations with lenders to specific US properties.

Mr Gerald Greenwald, O&Y's president, said in his letter to creditors that the initial 250-page restructuring plan might be modified in the course of negotiations over the next two weeks.

German steel group seeks links

By Christopher Parkes in Frankfurt

KLOCKNER-Werke, the German plastics, steel and engineering group, said yesterday that it was examining possible co-operation deals with "almost everyone" in the European steel industry.

The company, which confirmed reports of such talks with Hoogovens of the Netherlands, stressed that there had been no detailed negotiations.

The loss-making Dutch group said ideas under consideration included supplying Klöckner with coke and steel plate, but closer links through a merger or cross-shareholdings were not being discussed.

Both sides agreed the search for partners had been prompted by the depressed state of the European steel industry.

According to the German steel industry association real prices for domestic steel have fallen below levels reached in the 1965 crisis.

Already depressed by international recession, the market has also been hit by rising cheap imports from eastern Europe. The association expects 2.3m tonnes – sold "at any price" – this year, after only 900,000 tonnes in 1991.

It claims there is up to 25m tonnes excess capacity in the European Community, and has called repeatedly for restructuring aid and an end to what it claims are unfair government subsidies in France, Spain and Italy.

Hoogovens, which estimates EC overcapacity at 38m tonnes, has presented Eurofer, the Community steel association, with a proposal for Ecu1bn ($1.23bn) in aid for a restructuring plan which will entail the loss of 50,000 jobs.

The company, which is in the process of shedding 2,300 steel workers, has forecast a record loss for 1992 after a Fl 51m ($28.41m) deficit last year.

Meanwhile, Klöckner, one of the smaller German steelmakers with only 3.4m tonnes capacity, suffers from its relative lack of scale compared with companies such as Thyssen and Krupp.

A medium-term restructuring programme has already radically altered the group's shape.

Steel, which accounted for 60 per cent of sales in 1989, contributed only 33 per cent of last year's DM7.2bn ($4.5bn) group turnover. Plastics, accounting for 38 per cent, is now the biggest single sector.

However, withdrawal from steel seems unlikely. Klöckner is currently building a DM400m steel galvanising plant at its main base in Bremen.

The lasting legacy of the Treuhand

David Marsh and Leslie Colitt on the industrial problems that lie behind the heavy borrowing

IF the Treuhandanstalt, the agency in charge of privatising industry in former East Germany, ends its operations on schedule in 1994, it will live on in two ways.

First, in the international capital markets, where the Treuhand, with a Triple-A rating thanks to its government guarantee, is becoming a regular borrower.

And second, through the legacy of partly reconstructed heavy industry that is the agency's biggest problem in its attempt to revive the east German economy.

In the German capital markets, the Treuhand looks set to become a prime issuer of 10-year bonds. It made a successful DM10bn ($6.2bn) issue in September, and is expected to make another of the same size around the end of November.

The agency confirms that an understanding has been reached with the Bonn finance ministry for the Treuhand to be a priority issuer of 10-year bonds. The federal government has said it plans to avoid issuing 10-year federal bonds in future, concentrating on other maturities.

The Treuhand needs the money. Even after privatising around 9,500 companies, it still owns 3,800 companies in eastern Germany. Its priority is to sell them off quickly, says Ms Birgit Breuel, the agency's chief executive. "They say abroad that the jewels have been sold out," she says. "But it isn't true."

Allowing for disposals and closures – 1,600 Treuhand companies have been shut down – the agency aims to have only around 500 companies left by end-1993.

The Treuhand's problem, however, lies in those that remain, including many of the huge former state-owned *Kombinate* which depended on exports to the former Soviet Union and eastern Europe. And for them, the outlook grows bleaker by the month.

Some of these groups have found overseas partners. The former monopoly tyremaker, Pneumant, has been rescued by the government of Iran. The deal will secure 910 jobs out of 1,800 – but Pneumant had 6,000 employees in 1990, a figure which gives an idea of the Treuhand's problems.

Another successful sale is that of Werk für Fernsehelektronik, which makes television tubes under license from Toshiba of Japan, and has now been sold to Samsung of Korea. The company lost DM150m on sales of DM140m last year, but has recently installed a automated Japanese production line. Samsung has promised to retain 800 out of the present 1,200 jobs – but the group used to employ nearly 10,000 people.

Other Treuhand assets have fared worse. Large metal-working combines such as Takraf, the Leipzig crane-builder, and SKET engineering in Magdeburg, have failed to find western partners.

Krupp's recent decision not to take over the Eko steelworks at Eisenhüttenstadt has been another setback. It has left the Treuhand with little option but to pump in millions of D-Marks to modernise a plant which few see as viable in the long run.

Most of the east German machine building industry in Saxony and Brandenburg is in similar straits. West German engineering groups, facing a drop in world demand, are not interested in acquiring additional capacity in the east. The Treuhand is expected to keep at least the core of these companies afloat – but at heavy cost.

This financing burden is one of the reasons for the projected sharp increase in the Treuhand's debts, to at least DM250bn by the end of 1994. Other factors are the cost of cleaning up the environment and covering debts inherited from the communist regime.

Colin Beere

Birgit Breuel: 'They say the jewels have been sold. But it isn't true'

The Treuhand aims to raise between DM100bn and DM130bn in bond issues to around end-1994. These operations will be "the main pipeline through which we do our funding", according to Mr Paul Hadrys, Treuhand's chief financial officer. But the agency will also be using other financing vehicles. It has outstanding DM3bn of short-term loans from the domestic money markets and the Euromarkets, DM9bn of commercial paper and DM24bn of borrowers' note loans (Schuldscheine).

One problem for the agency is the general perception that Treuhand bonds are less liquid than more established issues.

A specific handicap was the decision by the London International Financial Futures and Options (Liffe) not to make the first Treuhand issue deliverable into its Bund contract – the main reason why the Treuhand issue trades at a slightly lower price than comparable Bund issues. Dealers say the yield spread above Bunds has been as high as 24 basis points, although this week it has been only about half that.

The Treuhand is hoping that the problem of Liffe deliverability will be resolved before the launch of the next DM10bn issue. Even if that happens, Treuhand bonds will not be deliverable until well into 1993.

"The Treuhand isn't quite regarded as the same as a Bund or a Unity [a bond issued by the German Unity Fund]," according to one London bond dealer – but he adds that, during the next few years, familiarity is expected to grow rapidly.

Additional reporting by Sara Webb in London and David Waller in Frankfurt.

Treuhandanstalt

Potential total indebtedness

	DM billion
Assumption of "old debt"	80
Annual deficit resulting from	
THA's tasks 1990	4
1991	20
1992 to 1994, DM 30 bn each year totalling	90
Additional funding requirements (e.g. liabilities resulting from equalisation claims, guarantees and unidentified claims)	26-56
Total	220-250 (by end-1994)

HSBC share issue raises HK$5bn

By Robert Peston in London and Simon Holberton in Hong Kong

HSBC Holdings, the parent of Hongkong and Shanghai Bank and the UK's Midland Bank, yesterday surprised investors by selling 80m new shares to raise HK$5.12bn (US$662m).

The bank said the main reason for raising the money was to repay loans made by Hongkong Bank Limited, the Hong Kong-based banking subsidiary, to other parts of the HSBC group. These loans had been made primarily to help finance the £3.9bn acquisition of Midland Bank, which was completed in June.

HSBC said Hongkong Bank would use the loan repayment proceeds to "develop its traditional business, particularly in the expanding economies of the Asia/Pacific region".

Mr Bernard Asher, one of HSBC's directors who runs its investment banking activities, said that HSBC had always maintained higher capital levels than many of its international competitors. It was therefore keen to raise additional capital by selling shares when there was strong demand for them.

The issue increases HSBC's ratio of tier one or core capital, an important measure of its financial strength, from 6.4 per cent to 6.9 per cent, well above the internationally agreed minimum of 4 per cent.

Mr Asher said Midland Bank had performed much as HSBC expected when it bought the bank, though he described the UK banking and industrial climate as "dreary". He said the new capital was not needed to compensate for high loan losses at Midland.

HSBC's share price has more than doubled since the beginning of the year. Most UK investment institutions have only relatively small HSBC shareholdings, so they have not benefited from the great share price rise. As a result, they were keen to buy the shares and around two thirds of the issue was placed with them.

The brokers to the deal were Cazenove and two of HSBC's own subsidiaries, James Capel in London and Wardley James Capel in the Far East.

HSBC's sterling-registered shares rose from 561p to 565p. Its Hong Kong Dollar shares rose from 565p to 567p. New shares of both types are being issued. The price difference between the two classes has become almost negligible, although when the sterling-registered shares were created in the spring there were fears a wide gap might persist.

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GPA Group bank debt increases by almost $2bn

By Robert Peston and Roland Rudd

GPA Group has drawn $1.7bn on its two main banking facilities since March 31, leading to a sharp increase in its overall indebtedness.

This increase in the aircraft leasing group's bank debts will come as a surprise to some of its 73 banks when they meet on November 23 at London's Inter-continental Hotel to hear details of its financial restructuring proposals.

GPA has two main banking facilities – a $2.17bn corporate credit facility and a $1.19bn associated companies long-term credit facility. In its last set of accounts, GPA said that at March 31 the company had drawn $1.397bn from its corporate facility and $110m from the associated companies facility. But bankers said yesterday the corporate facility is now virtually fully drawn and the associated companies facility is 90 per cent drawn.

GPA Group has had to increase its bank indebtedness to pay for aircraft it has contracted to buy.

It also has a $325m interim financing facility, which was undrawn at March 31. This facility has also been used. So the total increase in GPA's indebtedness since March may approach $2bn.

Bankers are expecting GPA to ask at the meeting for a deferment of principal repayments on these three main facilities.

The $325m facility is due to be repaid in the spring of 1994. On the corporate credit facility, a "balloon payment" of 61 per cent of the principal is due to be repaid in September 1996. Some 61 per cent of principal on the associated companies facility falls due a year later.

On these three main facilities, 15 international banks each have an exposure in excess of $75m.

Banks with the biggest exposure include Citicorp of the US, Toronto Dominion Bank of Canada and Mitsubishi Trust and Banking Corporation of Japan. Citicorp said yesterday that its exposure is less than $250m. Swiss Bank Corporation is also understood to have an exposure greater than $100m. The UK banks with the biggest exposure are NatWest, with around $70m and Barclays with less than $50m.

Bankers expect GPA to ask for waivers on its borrowing covenants which stipulate it should maintain three financial ratios at certain levels. These ratios are a measure of its financial strength. Bankers expect GPA to breach these covenants because of a decline in profit projections.

Gardini steps up efforts to win SME

By Robert Graham in Rome

THE publicity machine of Mr Raul Gardini, the Italian financier who divorced from Ferruzzi-Montedison last year, has swung into top gear to gain support for his bid to take over SME, the state-controlled foodstuffs group shortly to be privatised.

Yesterday, Gardini associates confirmed that Gardini srl, his Luxembourg-based holding company, was planning to raise its capital from L500bn to L2,000bn ($1.47bn) with the eventual aim of becoming a listed company on the Milan bourse.

The application to the Milan stock exchange authorities dates back to October 17. The suggestion from the company yesterday was that a flotation might involve up to 40 per cent of the company.

So far Mr Gardini has given little hint as to how he intends to raise the money, but has merely stated its purpose is to gain control of SME. "The main purpose [of the capital increase] is to present a take-over bid for the activities of SME; but the precautionary measure of raising fresh capital could also be useful for other activities," an aide was quoted as saying yesterday.

Mr Gardini left Ferruzzi-Montedison in July 1991 with a L505bn pay-off, representing his own indemnity and the value of his wife's Ferruzzi shareholding. The money enabled him to set up Gardini srl in August 1991.

Reports suggest that Mr Gardini has a number of allies, including Nestlé, and that if successful he would hive off the bulk of SME interests, retaining only the rice and the oils sides.

By publicly declaring his interest in SME, despite open government hostility, Mr Gardini is also challenging his former friends and adopted family, since control of SME would put him on a similar footing to Ferruzzi in the Italian foodstuffs business.

First-half profits of SME this year were L41.8bn with sales of L2,961bn.

Takeovers bring Solvay out of the shadows

The chemicals group has identified five core sectors for growth, writes **Paul Abrahams**

SOLVAY, the big Belgian chemicals group, is emerging from the shadows. Traditionally discrete, it has been thrust centre stage over the past 18 months with the completion of three strategic takeovers.

The deals, aimed at repositioning Solvay, included a marketing agreement with Upjohn, the US group, for its anti-depressant Fluvoxamine: the $500m acquisition of the soda ash business of Tenneco of the US: and the purchase of the 50 per cent it did not own of Interox, a hydrogen peroxide joint-venture with Laporte, the UK chemical group.

Baron Janssen, chairman, says the deals were designed to focus group efforts in areas in which it could excel and become a world leader. "We need to find areas with high added value and margins which are less cyclical than our traditional core areas," he says.

Solvay, whose sales of BFr254bn ($7.76bn) last year made it number 16 in the world chemicals league, has identified five core sectors in which it wants to grow: health, soda ash, peroxygens, plastics and processing.

The first three areas – the sectors where Baron Janssen has concluded his deals – have been chosen for expansion because they are less vulnerable than the highly cyclical basic chemical industry.

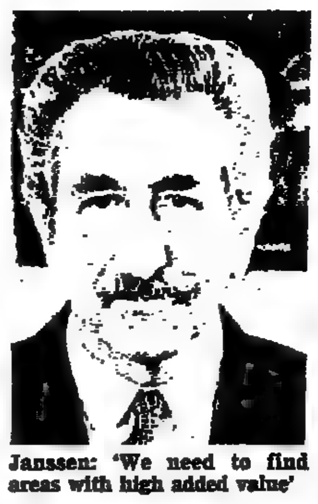
Brokers Wertheim Schroder believe the growth areas of health and peroxygens represent 27 per cent of Solvay turnover. Soda ash, salt and processing are stable businesses with 28 per cent.

The remaining operations, which are cyclical, represent 45 per cent.

Solvay's most significant move was the acquisition of an 80 per cent stake in Tenneco's Wyoming soda ash plant. The deal added 1.8m tonnes of low-cost production to Solvay's capacity and confirmed its position as the world's largest soda ash manufacturer. It already dominated the European market with 4m tonnes of the region's 7m tonnes annual capacity.

The group is cementing its position in European soda ash by investing in a 540,000 tonnes-a-year plant at Bernburg in the former East Germany. Baron Janssen says the factory made a small but unexpected profit in the first four months to December 1991. Solvay has promised to spend DM200m ($125m) on the site over the next five years.

Baron Janssen also stresses the importance of the Interox acquisition. He says the hydrogen peroxide market is growing rapidly. The substance, which is used in the paper, water and gas industries, is viewed as environmentally friendly because it can be used in chemical reactions without creating toxic by-products. Margins have traditionally also been high in spite of its commodity status.



Janssen: 'We need to find areas with high added value'

Solvay's main problem in this sector is that other groups have also identified hydrogen peroxide as a growth area. Additional capacity has been added at the same time that demand has slowed.

Healthcare is the final counter-cyclical sector that Baron Janssen has chosen for expansion. The pharmaceuticals industry is highly profitable and expanding rapidly, but Solvay's performance has so far been disappointing. Operating margins were only 6.1 per cent last year, compared with 31.4 per cent at Glaxo of the UK, for example.

The tale of Fluvoxamine, the group's anti-depressant, illustrates the problems facing small pharmaceuticals groups such as Solvay.

Fluvoxamine was the world's first of a new generation of drugs called selective serotonin re-uptake inhibitors (SSRI).

The drug was first launched in Switzerland in 1983. Small drugs companies, such as Solvay, with little experience of dealing with regulatory authorities, tend to have difficulty demonstrating their drugs' safety and efficacy. It took eight years before Fluvoxamine had approval throughout Europe.

Although the medicine was one of the first in its class, Fluvoxamine still lacks approval in the US, the world's largest market. In 1989, Eli Lilly, the big US group, launched Prozac, a similar product. Last year this medicine generated revenues of $910m. Fluvoxamine, pushed by Solvay's limited sales force, had sales last year of only $40m.

"We failed to market effectively what was a good product," admits Baron Janssen. "We are new in the business. We only started 12 years ago and we are still on a learning curve."

A review two years ago was followed by the decision to remedy the group's lack of regulatory and marketing expertise by setting up development and joint-marketing agreements.

The most significant consequence was a marketing alliance with Upjohn, the US group, to co-market Fluvoxamine and Xanax, one of the American company's central nervous system products.

Baron Janssen hopes that with Upjohn's help, Fluvoxamine will receive approval in the US and be commercialised in 1994.

He does not exclude the possibility of medium-sized acquisitions to help the division gain critical mass.

Meanwhile, Baron Janssen has no intention of switching out of the highly cyclical commodity plastics business. He says he sees this as a core business with good growth which is sometimes highly profitable.

Operating earnings last year from plastics fell 31 per cent to BFr1.7m. The group will continue to look for niche markets, such as polypropylene car petrol tanks.

Although Solvay group earnings fell 14 per cent during the first half of 1992, Baron Janssen believes his efforts will ensure full-year results will match last year's pre-tax profits of BFr12.9bn.

Baron Janssen expects to ride out the recessionary storm. He hopes his three strategic moves will then ensure the group is better placed to take advantage of clearer economic waters.

Astra profits surge by 32% at nine months

By Christopher Brown-Humes in Stockholm

ASTRA, Sweden's leading pharmaceuticals group, lifted pre-tax profits by 32 per cent to SKr3.42bn ($570m) in the first nine months of 1992, as sales of its anti-peptic ulcer drug, Losec, continued to soar.

The result compares with profits of SKr2.58bn in the first nine months of last year and is ahead of the SKr3.41bn profit achieved in the whole of 1991.

Sales in the latest period climbed 26 per cent to SKr11.21bn from SKr8.92bn. Astra's Losec sales rose 41 per cent to SKr3.06bn, but total sales, after including sales through licensees, climbed to SKr5.00bn from Skr3.40bn.

Sales of the anti-inflammatory asthma agent, Pulmicort, climbed 59 per cent to SKr1.38bn from SKr847m, making it Astra's second-largest selling product after Losec.

The group stands by its earlier forecast that group sales this year will be 20-25 per cent above last year's SKr12.5bn.

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Nordisk hit by currency upheaval

By Hilary Barnes in Copenhagen

NOVO Nordisk, the Danish pharmaceuticals and enzymes group, yesterday reported a 20 per cent drop to DKr330m ($53.92m) in 1992 third-quarter pre-tax profits, against the same period a year ago.

The company said it had been hampered by the currency turbulence in September. The quarter incurred net financial costs of DKr121m compared with net financial income of DKr45m last year.

However, Nordisk, which expects capital investment to increase to DKr2bn this year from from DKr1.3bn in 1991, reported strong gains for the whole nine months, with pre-tax profits 15 per cent ahead at DKr1.27bn.

Earnings per share rose 8 per cent to DKr23.84.

Based on current exchange rates and interest levels, Nordisk said that pre-tax earnings for the full year were expected to increase by about 15 per cent from last year's DKr1.46bn.

Nine-month sales were ahead by 16 per cent to DKr7.95bn after an increase of 20 per cent in sales by the bio-industrial enzymes division to DKr2.38bn and by 11 per cent to DKr5.18bn in the health care division, where sales of insulin, human growth hormone and gynaecological products all increased.

Sales growth was largely a result of volume increase, the group said.

Net financial costs for the nine-month period increased to DKr62m from DKr2m last year.

● Unidanmark, Denmark's second biggest banking group, has raised DKr3.3bn in supplementary capital from 27,000 subscribers.

Institutional investors put up DKr2bn, but the rest has been subscribed by the bank's customers.

Bank Austria awarded Russian branch licence

By Robert Peston, Banking Editor

BANK Austria has become the first non-Russian bank to receive a licence to operate a branch in Russia.

To date, foreign banks have only been allowed to operate through representative offices. As a result, they have been unable to open accounts for Russian companies or Russian banks.

Mr Michael Franz, who will be general manager of the Moscow branch, said yesterday that Bank Austria had been planning to open the branch for three years. The Central Bank of Moscow has been considering Bank Austria's application for the past nine months.

With a staff of 16, the branch will initially concentrate on providing foreign exchange and payment services to local banks and up to 25 Russian companies with hard currency earnings. It will also provide a range of banking services to western companies with interests in Russia.

Chrysler plans $17.3bn investment

By Kevin Done, Motor Industry Correspondent

CHRYSLER, the US vehicle maker, is planning to invest $17.3bn between 1993 to 1997 in capital expenditure and new product development, according to Mr Robert Eaton, vice-chairman.

Mr Eaton, who takes over as chairman from Mr Lee Iacocca in January, admitted that "it was not clear one-and-a-half years ago that Chrysler would survive this current recession".

The company had considerably weakened its balance sheet to maintain a very ambitious new product development programme, and Mr Eaton said that Chrysler now had to rebuild its finances as a top priority.

Chrysler, the smallest of the three US vehicle makers, was profitable in the second and third quarters of this year, the first time since the first half of 1990 that the group has been profitable in two consecutive quarters.

Both General Motors and Ford reported a loss in the third quarter this year.

Mr Eaton said that Chrysler's spending plan was more than the company had achieved in profit in its entire history.

It was an "unbelievable" achievement that the company had maintained its product programme intact during the recession, and Chrysler was now planning to launch a new product every six months for the next three years.

"We have trashed our balance sheet to get to this point," he admitted, and the company had been forced to sell assets worth $1.7bn in 1991/92 to maintain spending on product development.

Chrysler was aiming to achieve an investment rating on its debt by the first quarter of 1995 and was seeking to reach a cash balance of $5bn by 1995 compared with around $3.2bn at present.

The $6.8bn revolving credit agreed with its banks earlier this year had been Chrysler's last big hurdle to "keep the company financially afloat".

The company's low debt rating was blocking access to the US commercial paper market, which increased the group's costs by $300m a year and meant that Chrysler was unable to offer competitive leasing deals, said Mr Eaton.

In 1990 Chrysler and Fiat halted far-reaching year-long negotiations about a possible merger of their car-making operations, and Mr Eaton said that the US car maker was no longer seeking any significant collaboration deal.

"We do not feel that we need to be looking for a merger to maintain our viability," he said.

Last March Chrysler reduced its holding in Mitsubishi Motors of Japan from 10.9 per cent to 5.9 per cent with the sale of 43.6m shares for $215m, and Mr Eaton said the US car maker was also prepared to sell the remaining stake.

"We do not think the holding is at all necessary to our continuing relationship. There are no plans, but yes, we could sell it."

BIL sells 7.5% stake in Air New Zealand

By Terry Hall in Wellington

BRIERLEY Investments, the New Zealand hotels and investment concern, has sold a 7.5 per cent stake in Air New Zealand to institutional investors in the UK, Asia and the US.

The move reduces BIL's ownership from 42.5 to 35 per cent, but the company remains the airline's largest shareholder. The other major shareholders are Qantas, the Australian flag carrier, with 20 per cent, and Japan Airlines with 5 per cent.

Mr Bob Matthew, BIL executive director and Air New Zealand chairman, said that BIL intended to keep its 35 per cent interest in Air New Zealand for the long term, but had always planned to sell the parcel of B class shares.

The shares are believed to have been bought at around NZ$1.35 a share, and were sold at NZ$2.70, ex dividend.

Analysts say the sale has no implications for the Australian government's flotation of Qantas.

Both Air New Zealand and Brierley Investments have said they were interested in buying a shareholding in the Australian carrier, and they may join a consortium with Singapore Airlines.

The Singapore government is the largest shareholder in Brierley Investments, and is also a partner with it in UK hotel group Mount Charlotte.

US groups to set up pilot multi-media news service

By Louise Kehoe in San Francisco

A PILOT market test of "news on demand" services, beaming news reports via satellite to personal computers is to be conducted jointly by US groups.

The companies in the venture, IBM, the computer giant, NBC, the television network subsidiary of General Electric, and NuMedia, a privately held multimedia software and equipment developer, will target corporate customers.

The proposed multimedia information service, to be called NBC Desktop News, integrates text, graphics, video and sound clips into customised news reports that can be viewed on a PC.

The venture is the latest example of how the integration of computer, communications and consumer electronics technologies may spawn new products and services.

NBC Desktop News is designed for corporate users who need access to the latest news on a specific subject, but do not have time to comb through the diverse range of news and information sources available to businesses today, the companies said.

"The bombardment of news and information available each day is staggering," said Mr Tom Rogers, president, NBC Cable and Business Development.

He added that the pilot test marked "a key step in our ability to cut through the clutter and deliver news and information to corporate and government offices, an area traditionally under-served by broadcast television and cable.

"Being able to recall information on demand is an important feature in this pilot test," he added. Corporations in pharmaceutical, computer, and financial industries are seen as likely candidates for the proposed industry-specific news services.

Initially, the customised multimedia news reports will be distributed via satellite to the customer sites. Broadcast, fibre optic and cable delivery systems may also be tested in the future, the companies said.

NuMedia will provide PC software used to access the news services with options to customise further the content through the network server for individual PC users.

The market test will be conducted in New York and is scheduled to begin next month.

Honda luxury car to be built in S Korea

By John Burton in Seoul

DAEWOO Motor, South Korea's third biggest vehicle maker, announced yesterday that it is to begin licensed production of Honda's Legend luxury car next year.

The agreement with Honda is the first step by Daewoo to find foreign partners following the recent ending of its 14-year joint venture with General Motors of the US.

Mr Kim Woo-choong, chairman of the Daewoo business group, said the technical tie-up with Honda could extend to other car models.

The Legend is the first luxury car produced by Daewoo in recent years. It will compete in the domestic market under the Daewoo name against Hyundai Motor's Grandeur and Kia Motors' Potentia.

Daewoo will initially sell the Legend only in Korea, but it hopes to export the model later. Output will begin in the autumn of 1993 at Daewoo's Pupyong plant near Seoul, with an annual capacity of 5,000 cars, increasing eventually to 10,000. It expects to produce about 2,000 to 3,000 Legends next year.

It will spend about $140m over the next two years for new presses and the development of automotive components.

Daewoo Motor, like other Korean vehicle makers, is dependent on foreign car companies for technology, with most of its models developed in co-operation with GM. It also needs foreign financing since the unlisted company is heavily in debt.

But the parent Daewoo group, Korea's fourth largest conglomerate, agreed at the end of October to buy out GM's 50 per cent shareholding in Daewoo Motor for $170m following growing managerial disagreements. The two companies, however, will continue their automotive components joint venture.

While GM expressed concern about losses at Daewoo Motor, which amounted to $200m last year on sales of $2.2bn, Daewoo said overseas marketing restrictions imposed by GM were hurting the company.

Daewoo was unable to sell its cars independently in the US or Europe, where they compete against similar GM models. Instead, most Daewoo exports comprised the GM-licensed Opel Kadett which was shipped to the US and sold by GM as the Pontiac LeMans.

Under the agreement terminating its partnership with GM, Daewoo can start independent distribution of its cars in the developing world next year and in North America and Europe in 1995.

Mr Kim predicts Daewoo Motor will earn profits of Won60bn ($76m) to Won70bn this year although analysts estimate that it lost Won50bn during the first half.

Siemens boosts profits by 8.9%

By Christopher Parkes in Frankfurt

NET profits at Siemens, the German electrical and electronics group, rose 8.9 per cent to DM1.95bn ($1.22bn) in the year to the end of September, the company said yesterday. The dividend will be unchanged at DM13 a share.

The result, in line with group forecasts, was achieved on sales up 7.7 per cent at DM78.6bn. This was around DM1bn below target due to the recent strength of the D-Mark against foreign currencies, a spokesman said.

Powerful growth in core businesses such as telecommunications, power plant and motor components was partly offset by continuing losses in the Siemens-Nixdorf computer subsidiary, which increased sales by 7 per cent to DM13bn, and semiconductor manufacture. The full results from Siemens-Nixdorf are due out today. While the deficit at Nixdorf was "much less" than the DM781m last year, it was still big, and losses from semiconductors increased further, the spokesman added.

The company also reported a slow-down in new order growth. After a rise of 21 per cent a year earlier, total orders last year rose only 4 per cent. Domestic bookings were up 9 per cent at DM40bn and foreign orders slipped marginally to DM45bn.

The group, which published its provisional results with little comment and gave no forecasts for the current year, is clearly feeling the effects of the economic slowdown. While the workforce rose 3 per cent to 413,000 during the year, after correction for the effects of acquisitions it fell 14,000.

A further 2,300 jobs are scheduled to go by the end of 1995 in the semiconductor division.

See Lex

US stores group back in the black with $31.6m

By Nikki Tait in New York

FEDERATED Department Stores, one of the largest US department stores group incorporating chains such as Bloomingdale's, The Bon Marche and Jordan Marsh, yesterday reported a sharp improvement in third-quarter results, with a profit of $31.6m after tax.

In the same period a year earlier, it suffered a net loss of $51m.

The company, which emerged from bankruptcy in February, saw both increased operating profits and a sharply-reduced interest charge year-on-year.

On the former score, operating income rose from $53.3m to $99.5m for the three-month period, bringing the total of the first nine months to $207m against $103.3m last time, while sales in the third quarter amounted to $1.79bn, up from $1.71bn.

Federated said it was particularly pleased to have "converted stronger sales into higher profits by reducing expenses rates and controlling markdowns".

On the financial front, the company also benefited from much-reduced interest charges – down from $109.6m in the third quarter of 1991, to $43.9m this time round.

The company's shares rose by $⅝ to $17⅝ on the results.

However, Mr Allen Questrom, chairman, still sounded a note of caution ahead of the key fourth quarter.

"For the remainder of 1992, we continue to expect modest improvement in the business," he said. "We remain cautious, however, as a result of low levels of consumer confidence and a sluggish economy that could impact sales in this most important selling season."

Cambior posts C$2m earnings

By Robert Gibbens in Montreal

CAMBIOR, the Canadian ore producer, earned C$2m (US$1.58m), or 6 cents a share, in the third quarter, down from C$3.1m, or 10 cents, last time, on revenues of C$46.7m.

At nine months, profit was C$11.1m, or 34 cents a share, compared with C$13.9m, or 45 cents, on revenues of C$143m, up 13 per cent.

Bethlehem Steel may sell division

By Karen Zagor in New York

BETHLEHEM Steel, the second biggest US steel group, may sell its bar, rod & wire operations to Ispat Group of Calcutta.

Bethlehem, which said in January that it would sell the division, said the discussions include the sale of the entire operations apart from the Johnstown wire mill. It has agreed to sell the wire mill to TMB Industries of Chicago.

The decision to sell the bar, rod and wire operations, which contribute less than 10 per cent to Bethlehem's roughly $4bn annual sales, was announced during the fourth quarter last year when Bethlehem turned in losses of $638m, including a charge of $575m.

Before putting the operations on the block, Bethlehem had discussed modernising the loss-making division with the United Steelworkers' union (USW) for more than a year.

The decision to sell the business was made after the two sides failed to agree on a new labour pact and Bethlehem said it could no longer consider modernisation because of its deteriorating finances.

The division has been hit hard by intensifying competition from low-cost mini-mills, which are increasing their share of the market for less sophisticated products. Low priced imports have also hurt the operations.

INTERNATIONAL COMPANIES AND FINANCE

Yamaha Motor's profits down 48.8%

By Steven Butler in Tokyo

YAMAHA Motor, the world's second largest motorcycle maker, yesterday reported a 48.8 per cent fall to Y2.57bn ($20.8m) of parent-company pre-tax profits in the half-year to September, from Y5.03bn a year earlier.

Although Yamaha's export sales were almost unchanged at Y132bn, domestic sales slipped by 14.2 per cent to Y92.77bn, reflecting the weak state of consumer spending in Japan. Total sales were down by 6.5 per cent to Y224.83bn.

Total motorcycle sales fell from 454,000 to 429,000 units, although within the total export sales rose by 9,000 units to 213,000. Weak sales to Europe were balanced by stronger markets in Asia and North America. The total value of motorcycle sales fell by Y3.67bn to Y108.6bn.

Sales of marine equipment, such as outboard motors and leisure craft, were down sharply from Y53.49bn to Y44.01bn.

Sales of special equipment – such as golf carts, generators, and ski vehicles – were healthier, up from Y26.17bn to Y30.22bn. Sales of car engines to car manufacturers slipped by Y3.49bn to Y17.19bn.

The company said the outlook was bleak.

Mitsubishi Steel dips into red in tough first half

By Robert Thomson in Tokyo

MITSUBISHI Steel Manufacturing, a Mitsubishi group company producing springs and special steels, reported pre-tax losses of Y791m ($6.4m) for the first six months to the end of September, highlighting the pressure on components suppliers within Japan.

The fact that a Mitsubishi group member reported a loss suggests that other components suppliers are under extreme pressure, as Mitsubishi Motors, a leading purchaser of its products, has been more successful than most other Japanese car makers over the past year.

In the first half last year, Mitsubishi Steel reported pre-tax profits of Y720m, while sales for the first half this year were down 9.2 per cent at Y38.6bn, as orders fell from the car and construction industries.

The continuing weakness in the stock market has meant that the company has been unable to supplement its core earnings with an increase in financial income, a common practice among Japanese manufacturers in the past.

For the full year, Mitsubishi Steel forecasts pre-tax losses of Y1.7bn, compared with profits of Y1.6bn last year, on sales of Y78bn, down 5.4 per cent. But the company indicated that the proceeds of a land sale would contribute to a net profit of Y700m.

● Mitsubishi Gas Chemical, a maker of chemicals and engineering plastics, reported a 70 per cent fall in pre-tax profit to Y1.14bn in the first half, as demand declined from car makers, electronics companies and the paper industry.

Sales for the period fell 9 per cent to Y101.6bn, while after-tax profit was down 59 per cent to Y1.17bn.

The company said said that the interim dividend would be cut from the Y3.5 of last year to Y2.5 a share.

The company has a stake in joint venture methanol projects in Venezuela and Saudi Arabia, but its problems have arisen in supplying industrial products to the home market, where demand from manufacturing industry is still declining.

As part of its attempts to broaden its sales base, Mitsubishi has put emphasis on developing engineering plastics and on supplying components to electronics manufacturers, but the weakness of that industry has undermined that strategy.

Mitsubishi Gas forecast a full-year pre-tax profit of Y2.5bn, 48 per cent below the previous year's figure, on sales down almost 5 per cent to Y207bn.

Campbell Soup under fire in Australia

By Kevin Brown in Sydney

CAMPBELL Soup's hostile bid for Arnotts, the Australian biscuit maker, took a fresh turn yesterday when Mr John Dawkins, the federal treasurer (finance minister), criticised Campbell's record in Australia.

Mr Dawkins said the federal government would be "very closely involved" in the decision on whether to allow the bid, which is subject to approval by the Foreign Investment Review Board (Firb).

He said Campbell was "very much under the spotlight," and suggested the US food group had failed to keep promises to the Firb when it acquired its existing 32.9 per cent stake in Arnotts in 1985.

Campbell is offering A$8.80 a share for the 17.2 per cent stake required for control of Arnotts. The bid, which has been rejected by Arnotts, values the group at A$1.2bn (US$857m).

Arnotts representatives met Mr Dawkins last week to draw attention to promises the company says were made by Campbell in 1985, including an undertaking not to seek to control the board and a pledge to use Arnotts recipes in its European operations.

Mr Dawkins said last month that Campbell's plans to use Arnotts as a springboard for expansion into Asian markets would be central to his decision on whether to allow the bid to proceed. He suggested yesterday that Campbell might not need a bigger stake in Arnotts to increase its involvement in the Asia Pacific market. "I think that will need to be tested, particularly in the light of Campbell's somewhat indifferent record of sticking to its earlier commitments," he said. Mr Dawkins also said Arnotts's export performance had been "pretty disappointing."

The Firb, which approves about 97 per cent of foreign investment proposals, has been under pressure to reject the bid to maintain ownership of Arnotts within Australia.

Improved beer sales help SAB group to lift earnings by 7%

By Philip Gawith in Johannesburg

IMPROVED profits from the beer division helped South African Breweries (SAB), one of South Africa's leading industrial companies, record a 7 per cent increase in attributable earnings to R252m ($84m) in the six months to the end of September, compared with R236m a year earlier.

A 13 per cent increase in attributable earnings from the beer division to R184m from R163m helped offset a 7 per cent fall in earnings from SAB's other interests to R68m from R73m.. These include retail, manufacturing, hotel and international activities

Beer volumes rose marginally compared to 1991.

Group turnover rose by 29 per cent to R10.29bn from R7.99bn, but this figure was inflated by the acquisition in April of the Plate Glass group. Stripped of this, turnover rose by 10 per cent on a comparable basis.

Operating profits rose by 18 per cent to R901m from R765m. But a higher tax bill and a 52 per cent increase in the share of profits attributable to outside and preference shareholders to R129m from R85m caused attributable profits to rise by only 7 per cent to R252m from R236m. This performance was in line with market expectations.

Mr Meyer Kahn, executive chairman, said that the "severity of the prolonged recession in South Africa, together with the lack of any meaningful progress in eliminating the root causes of the prevailing socio-political turmoil, continues to have a devastating effect on consumption expenditure in the mass consumer markets."

Private consumption expenditure in the South African economy is expected to decline this year for the first time since 1986.

SAB's furniture, retail and textile interests, which are traditionally very cyclical operations, have been hardest hit. Even Edgars, the retail fashion group with a formidable earnings track record, managed to lift attributable earnings by only 4.5 per cent.

Looking ahead, Mr Kahn said the short-term outlook both in the domestic and main international economies remained "extremely uncertain".

He said there was little prospect for recovery in personal disposable incomes before the latter part of 1993 and predicted that the rate of improvement in group earnings would remain "severely constrained" over the rest of the financial year.

Earnings per share rose by 6 per cent to 93.4 cents from 88.2 cents on an attributable basis. The dividend is being raised by 6 per cent to 35 cents a share from 33 cents.

Tiger Oats shrugs off poor trading conditions

By Philip Gawith

TIGER Oats, the food manufacturer in the South African Barlow Rand group, overcame difficult trading conditions to record a 16 per cent increase in attributable earnings to R335m ($111.6m) for the 12 months to September from R289m for the year before.

Turnover rose by 15 per cent to R9.2bn from R7.98bn, and operating profits advanced 13 per cent to R677m from R598m. Owing to the larger number of shares in issue, earnings per share were only 11 per cent up, at 230 cents against 207 cents. The dividend is being lifted by a similar amount to 79 cents per share from 71 cents.

Mr Robbie Williams, chairman, said the depth of the recession was evident from the fact that there were declines in volume terms of nearly half of the grocery categories measured in South Africa's leading retailers.

He said, however, that volumes in basic foodstuffs had held up and Tiger Oats had been able to increase its market share.

Mr Williams said there had been real growth in turnover across all the main areas of Tiger Foods.

Referring to other group activities, he said pharmaceutical companies Adcock Ingram and Logos had been helped by new products to perform well. Oceana, the fishing group, also achieved good results following increased landings of fish.

Mr Williams said short-term prospects "do not look at all promising", but said Tiger Oats was expecting an improvement in the year ahead, although this could be weighted towards the second half of 1993.

● Rand Mines, the mining arm of the Barlow Rand group which was split into four businesses at the beginning of October, reported a 4 per cent fall in earnings from continuing operations to R173.4m in the year to September from R181.1m.

Exports give Fujisawa pre-tax rise

By Emiko Terazono in Tokyo

FUJISAWA Pharmaceutical, a leading Japanese drug company, reported a firm rise in interim pre-tax profits, thanks to improvements in its financial balance.

The company said non-consolidated pre-tax profits for the first six months to September rose 15.8 per cent to Y10.87bn ($88.3m) from Y9.38bn, on a 1.2 per cent rise in sales to Y116.03bn from Y114.66bn. After-tax profits, however, fell 8.5 per cent to Y3.28bn from Y3.59bn, due to a rise in tax payments.

Fujisawa said a 16 per cent rise in exports offset a 1.4 per cent drop in domestic sales. Sales in the domestic market were hurt by slack demand for its antibiotics and anti-ulcer agent.

The company, however, benefited from cost-cutting efforts and increased the ratio of in-house products.

It spent Y14bn on research and development during the half-year, 12.1 per cent of its sales.

For the full year to March, Fujisawa expects a 9 per cent rise in pre-tax profits to Y17bn and a 2 per cent rise in sales to Y233bn. After-tax profits are expected to increase 7 per cent to Y6.5bn.

● Ono Pharmaceutical, a medium-sized Japanese drugs company, also posted firm first-half profits thanks to its diabetic neuropathy drug. Sales for the half-year to September grew 16.2 per cent to Y45.9bn. Pre-tax profits rose 10.3 per cent to Y17.5bn. Net profits rose 2.7 per cent to Y7.4bn.

For the year to March, Ono expects a 14.8 per cent rise in pre-tax profits to Y34.4bn on a 17.2 per cent increase in sales to Y93bn.

Ceramco plans move on Europe

By Terry Hall

CERAMCO, the New Zealand lingerie maker, is to launch its products in Europe and Canada, after a 50 per cent sales rise in Australia in the six months to June 30, the company said yesterday.

The boost in Australian sales followed Ceramco's purchase of Hickory Fashions.

Ceramco doubled interim pre-tax profits after extraordinary items to NZ$16.03m (US$7.9m). Sales rose 36 per cent to NZ$78.24m.

Net profits edged ahead to NZ$7.5m from NZ$7.17m.

Prowse to head Bank of New Zealand

By Terry Hall in Wellington

MR BOB Prowse has been appointed chief executive of Bank of New Zealand to succeed Mr Lindsay Pyne, who resigned on Tuesday, following National Australia Bank's declaration that its offer for BNZ was unconditional.

Mr Prowse, who was previously chief general manager investments, headed the NAB team responsible for winning BNZ for NZ$1.5bn (US$789m). He also led NAB's purchase of Yorkshire Bank and played an important role in the acquisitions of Clydesdale Bank, National Irish Bank and Northern Bank.

NAB also announced that the three directors of Fay, Richwhite, the New Zealand merchant bank, Sir Michael Fay, Mr Geoff Ricketts and Mr Robin Congreve have resigned. They are replaced by NAB representatives Mr Bill Irvine, Mr David Macfarlane, and Mr Don Argus. Mr Tom Tennent, long-serving BNZ deputy chief executive, has joined the board, as has Mr Bob Stannard, previously chairman of NAB's New Zealand unit.

Dah Sing agrees to buy Wing On for HK$530m

HANG Seng Bank has accepted an offer by Dah Sing Financial Holdings to buy its Wing On Bank unit, Reuter reports.

The bank said no final price had been decided, but Dah Sing would probably pay about HK$30.13 each for 17.6m shares, making the offer worth about HK$530m (US$68.8m).

Hang Seng, which is 68 per cent owned by HSBC Holdings holds 50.3 per cent of Wing On. It said Dah Sing would make a cash offer for remaining shares in Wing On. The total offer would value the bank at more than HK$1.05bn. Hang Seng rescued Wing On in 1986 after it ran into financial trouble.

Dah Sing, which owns Hongkong Industrial and Commercial Bank, announced in March net annual profits of HK$159.81m, compared with HK$119.20 the previous year.

Hang Seng said the Hong Kong Commissioner of Banking had indicated his approval of the takeover but had yet to be approached for a formal ruling.

Pemex revamps borrowings with $350m bond issue

By Stephen Fidler in Caracas and Damian Fraser in Mexico City

PETROLEOS Mexicanos, Mexico's state-owned oil company, is set to announce today a significant departure in its foreign-borrowing programme, with the issue of at least $350m of bonds in the New York market, to be backed by the company's deliveries of oil into the US.

The use of oil receivables for the first time by Pemex will allow it to reduce significantly the costs of borrowing.

Mexico is rated just below investment grade when it borrows in its own name. Backing the issue with receivables has secured a single-A rating, well into investment grade and thereby securing a significantly wider group of potential investors.

The issue, being arranged by Citicorp, is expected to be priced at 165 basis points over the five-year US Treasury note. It carries a final maturity of seven years, with an average life of five years.

The issue may be further expanded with an issue of $100m of bonds to small banks that have shown interest in the bonds.

According to Mr Ernesto Marcos, corporate director of finance at Pemex, such issues in the US could significantly exceed $1bn. Further issues in Europe and Japan, backed by oil deliveries to these regions, are also conceivable.

The issue forms part of a significant borrowing programme for Pemex.

The company's five-year plan calls for an investment programme of $20bn-$22bn between 1993 and 1998, of which up to 40 per cent may be borrowed and the rest internally generated.

In addition, Pemex wants to repay a significant amount of other external debt, including a long-standing bankers' acceptance facility arranged through Bank of America of up to $4bn.

Mr Marcos said the company was considering a future registration with the Securities and Exchange Commission in the US, a move which would intensify the financial discipline on the company.

"What we are looking for is the discipline of regular disclosure in financial markets," he said.

Telecom Argentina trebles profits to $150m

By John Barham in Buenos Aires

TELECOM Argentina, one of the country's two privatised telephone companies, has almost trebled 1992 net profit to about $150m in the financial year to September, from $53.3m in 1991. However, the company would not provide other data.

Last week, Telefonica de Argentina, the largest telecom operator, also reported net income up sharply with a 88 per cent rise to $222m and a 57 per cent increase in sales to $1.63bn.

However, the 1991 figures for both companies are slightly understated because they cover an 11-month accounting period.

Argentina's two telephone companies have posted impressive gains after the notoriously inefficient and corrupt state company was privatised in November 1990.

Gains have come from a big increase in lines, a steep reduction in jobs and indexed telephone charges, further magnified by an overvalued exchange rate.

Consumers, however, permanently complain of poor service, despite company efforts to tighten up management. Telecom says it invested $770m in 1992.

Nintendo set to make top three in profit league

By Michiyo Nakamoto

NINTENDO, the Japanese video game manufacturer, is likely to replace Matsushita, the world's largest consumer electronics company, as the third largest profit earner among listed manufacturing companies in Japan in fiscal year 1993.

The change in fortune stems largely from the sharp fall in Matsushita's earnings rather than from any dramatic increase in profits from Nintendo.

Industry analysts in Japan said that in the year to March 1993 they expect to see Nintendo emerging third in profits earned among the non-financial companies, after Toyota, the automobile manufacturer and Nippon Telegraph and Telephone, the telecommunications group.

The forecast rise in Nintendo's ranking came as the company prepared to unveil interim pre-tax profits next week.

For the full year to March 1993, which will include results from the important Christmas selling season, Nomura Research Institute forecasts parent current profit for Nintendo of Y167bn ($1.36bn) against Y156bn in 1991.

Matsushita, which sells internationally under the Panasonic and Technics brand names, is forecasting parent current profit of Y102bn, down from Y198bn a year ago.

Last month, Matsushita reported interim pre-tax profits down 51 per cent at Y52.3bn on sales down 7 per cent to Y2,294bn.

In contrast to the sluggish demand experienced by consumer electronics products overall, video games have been enjoying strong sales in major markets.

Nintendo's popular games characters – Mario, in particular – have a wide following. Mario is to be featured in a film to be released next year.

Edgar to tackle the paper mountain

Patrick Harverson reports on the installation of the SEC's electronic filing system

Every year the Securities and Exchange Commission (SEC) is deluged with an estimated 10m pages of documents filed by US and foreign corporations and investment companies. The documents cover everything from share prospectuses to detailed earnings reports and data on stock ownership.

And each year the time-consuming and inefficient system the SEC uses to assemble the mountain of paper, examine its contents and distribute the information to the public, becomes ever more costly to maintain, threatening to undermine the agency's ability to effectively regulate the industry.

Now, after more than nine years and $70m in the making, a new electronic filing system is ready to revolutionise the way corporate information is disseminated in the US.

The new system, called Electronic Data Gathering, Analysis and Retrieval, or Edgar for short, will allow companies to electronically file the 300 or so different forms required by the SEC. Edgar will also enable the SEC, headed by Mr Richard Breeden since 1989, to assemble and examine via computer the information in those forms. It will also allow public access to all SEC-filed corporate documents via computer databases.

The idea behind Edgar is that it will make it easier and quicker for companies to file documents to the authorities (an IBM-compatible personal computer is the only technology that companies will need). It will also cut the cost and time the SEC spends handling the information, and widen public access to it.

So far only a few hundred companies have volunteered to file electronically via Edgar, but by the middle of next year mandatory filing will begin, and if everything goes to schedule, the 14,000 or so companies that regularly file with the SEC will all be using the system by mid-1996.

Yet in spite of its obvious usefulness, Edgar has been dogged by controversy throughout its nine-year life. Criticisms have concentrated on the cost and time it has taken to build the system, and on the lack of public access to the information it collects.

Edgar's life started in 1983 when an SEC staffer wrote a paper recommending automating the filing process. A prototype version was built the following year. The SEC originally wanted Edgar to pay for itself by charging firms to subscribe to the system, but Congress, always reluctant to cede control of the purse-strings on government projects, insisted otherwise.

Richard Breeden's troubles with Edgar may not yet be over

The project fell badly behind schedule primarily because of a fight over funding. The SEC originally wanted Edgar to pay for itself by charging firms to subscribe to the system, but Congress, always reluctant to cede control of the purse-strings on government projects, insisted otherwise.

After much debate, it was agreed the public dissemination sub-system – the part that allows vendors to sell the information gathered on Edgar to the public – would be the only element financed privately. The rest of the money would come from the public purse.

Deciding who should build Edgar also slowed things down. The task of running the pilot system was originally given to Arthur Andersen, but in late 1987 the SEC decided it needed a new contractor for the operational system.

Changing horses midstream, however, led to wrangles over the choice of the new contractor, and further delays. After a detailed and lengthy review process, the job of developing the operational project was awarded in early 1989 to a five-company consortium consisting of BDM International, Bowne & Co, CompuServe, Disclosure Inc and Mead Data Central.

When the new contractors were chosen, the SEC hoped Edgar would be ready by the end of 1990. But further problems set the date back. The biggest single reason for the delay was the SEC's insistence on adding to an ever-expanding list of rules and requirements for Edgar users.

In a report by the General Accounting Office (GAO) released in September, the SEC was severely criticised for continually changing the list of user requirements. The original list of 350 requirements in 1989 ballooned to 1,000 by the start of this year.

The GAO said the SEC failed to exercise "top management oversight" to control the rapidly expanding list of functional changes in the system.

Mr John Penhollow, director of planning and administration in the SEC's office of information technology, says reaching a consensus on the requirements was difficult: "It took a long time to get agreement on requirements, but it is unrealistic for any agency that is building a system of this magnitude and complexity to believe that any one group of people can write down all the requirements that should be included."

Development of the Edgar project has also been interrupted by the complaints of consumer groups, who have argued that the cost of gaining access to the information on the system will be prohibitively expensive.

Critics argue that access to Edgar would be limited to a few terminals in reading rooms in three cities – New York, Chicago and Washington DC – and that charges levied by vendors of Edgar information will put the information out of reach to the general public.

The delays have inevitably pushed up Edgar's costs. In 1989 it was originally estimated the system would cost $51.5m. This summer that figure stood at $70.2m.

By the time the system is fully operational in 1996 (assuming there are no more major delays), Edgar is expected to have cost $78.3m, a 52 per cent increase over the initial estimate.

Furthermore, there is no guarantee that Edgar will be ready by the target date of mid-1993. The SEC is still receiving and responding to comments from the industry on the proposed rules for Edgar that it published in August.

Congress will also want another look at the system, to respond to questions about funding and public access, and given the pace at which legislative inquiry progresses, Edgar's troubles may not be over.

Turner Broadcasting posts earnings rise

By Karen Zagor in New York

TURNER Broadcasting System, the media and entertainment group that controls the CNN cable network, yesterday posted third-quarter net income of $12.5m, or 5 cents a share, up from $7.4m, or 1 cent, a year ago.

Gains from the company's entertainment operations offset weaker performances from its sports, news and real estate businesses.

Stripping out extraordinary items in both years, earnings stood at 2 cents a share, against a loss of 1 cent a share last year. Operating profits were 8 per cent higher at $64m, while revenues rose 16 per cent to $456.4m from $392.6m.

Revenues from the entertainment division rose 11 per cent to $23m, including $10m from several start-up operations in 1991 and the acquisition of the Hanna-Barbera animation studio. Increased advertising revenue also contributed to the improvement. Operating profits from entertainment rose 18 per cent to $43.6m.

Operating earnings from Turner's news division, which includes CNN, fell 3 per cent to $36.4m, from $37.6m, although revenues rose 15 per cent to $126.9m from $110.1m. The company blamed the costs of covering the US election, and increased costs associated with international operations.

Operating profits from the sports division, which includes an equity stake in the Atlanta Braves football team, tumbled to $493,000 from $2m.

For the nine months, the group lifted net income to $47.9m from $42.5m, which took earnings per share to 19 cents, against 6 cents. Revenues were $1.23bn, compared with $1.08bn.

Loblaw revenues up 6% to C$2.8bn

By Robert Gibbens in Montreal

LOBLAW, Canada's biggest food distributor and controlled by the Weston family, faced intense third-quarter competition and tightening margins in the depressed Ontario market.

Revenues were up 6 per cent to C$2.8bn, ($2.2bn) but earnings dipped 25 per cent to C$23.7m or 26 cents a share from C$31.5m.

INTERNATIONAL CAPITAL MARKETS

Focus falls on sterling ahead of Autumn Statement

By Brian Bollen

STERLING provided the talking points in the international bonds market yesterday. The sector was in an optimistic mood ahead of the Autumn Statement by the chancellor, Mr Norman Lamont. As one trader put it, people appeared to be buying the top names whatever the spread.

INTERNATIONAL BONDS

Confirming the interest in sterling bonds from elite names, Barclays de Zoete Wedd brought two triple-A rated issues to market.

The first was from European Investment Bank, which launched its first bond in the currency since Italy withdrew its withholding tax exemption on foreign bond investments.

Judging the pricing for the £200m 5¼-year 7 per cent issue without the support of Italian investors made life difficult for sole underwriter Barclays de Zoete Wedd. It said demand was strong despite the very tight terms, 17 basis points over the reference gilt which is also partly paid.

BZW said demand came particularly from overseas investors who get a hedge against a further weakening of the pound if interest rates fall in line with expectations. The indications are that the issue was swapped into floating-rate sterling at around Libor minus 30 to 32 basis points.

The EIB says it has borrowed, or is committed to borrow, around Ecu12bn-equivalent so far in 1992, and plans to borrow Ecu1bn to Ecu1.5bn more before the end of the year. It hopes to tap the Portuguese market for around Esc15bn, and raise the balance probably in US dollars, Japanese yen and French francs.

BZW's second top-rated borrower of the day was National Grid, making its debut in the Eurobonds market, also with a £200m 5¼-year bond. Sparks flew in some quarters over the pricing on this transaction, after the spread was presented variously as 20 and 43 basis points over comparable gilts. Both proved to be correct: two quite different gilts were being used as benchmarks.

The higher level was the one on which the professionals based their reactions, but the confusion underlined for many the drawbacks of using the gilts market to set prices. None of the gilts is a perfect measure of value, as yields have come down so sharply, although a new current coupon frame of reference is being established in the five- to six-year maturities.

Some bankers described the issue as clearly mispriced. National Grid could have saved itself up to a further 20 basis points, they argued, but it appears to have been happy to pay a premium to ensure the success of its debut issue.

"We're very content," said treasurer Mr Martin O'Donovan.

The Guinness £150m issue launched on Tuesday by J.P. Morgan duly broke syndicate but suffered from the launch of National Grid, its spread widening by several basis points.

Set to continue the internationalisation of the D-Mark is a DM1.5bn bond to be launched today on behalf of Kreditanstalt für Wiederaufbau (KfW). The maturity will be five years and the spread between 21-24 basis points over comparable government bonds.

The issue will represent the borrower's biggest yet and the first by a German entity using the fixed-price reoffer system.

Deutsche Bank will lead the bond, which will be launched through KfW International Finance, the Delaware-based vehicle used by KfW for more than 30 foreign currency bond issues so far.

"This has been created for investors who want Eurobond features in a D-Mark investment," said Mr Gunther Braunig for KfW, which feels it is important to broaden investor demand for D-Mark product. "We want to give them large liquid transactions syndicated by banks with placement power and market making capabilities."

Dresdner Bank's shares fell back on the announcement of the DM750m five-year equity-linked deal it led for itself.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Yokohama Rubber Co.(a)♦	180	2	100	1996	2¼/1½%	Yamaichi Int.(Europe)
Gemex(b)	10	10.75	99.924	1997	1¼/¾%	Goldman Sachs Int.
Cepme(c)‡	50	(c)	100	-	-	Merrill Lynch
D-MARKS						
Dresdner Finance(d)♦	750	7.5	115.5	1997	2¼/1½%	Dresdner Bank
STERLING						
European Inv.Bank(e)	200	7	99.414	1998	-	Barclays de Zoete Wedd
National Grid Company(f)	200	7.375	101.351	1998	1⅞/1.6%	Barclays de Zoete Wedd

Final terms and non-callable unless stated. ♦With equity warrants. ‡Floating rate note. a) Final terms fixed on 17/11/92. b) Issue launched on 10/11/92 has been increased to $110m. Coupon payable semi-annually. c) Coupon pays 6-month Libor plus 125bp up to 30/11/97, plus 180bp up to 30/11/02 and plus 240bp thereafter. Callable on 30/11/97 at par. d) 39 warrants/DM5000 bonds. 3 warrants entitle holder to subscribe for 1 share at DM380 from 17/12/92 to 10/12/97. e) Part paid issue: 25% due on 15/12/92 with the balance on 30/3/93. f) Event risk put option included.

Stock Exchange tries to settle a trading problem

Gilt marketmakers' rules have been eased writes Richard Waters

THE London Stock Exchange yesterday relaxed its rules on gilt marketmakers in an attempt to relieve the settlement log-jam in the gilts market, in the process making it more difficult for private investors to switch between gilt issues.

The continuing settlement problems, which first became acute last Thursday, also prompted claims that the infrastructure supporting the gilt market was inadequate, and the Bank of England should seek to modernise the settlement arrangements. The Bank, said the current problems were caused by unusual events and did not indicate any underlying problems in the market.

The stock exchange announced that marketmakers would no longer have to take on "contingent" trades of less than £50,000, in which investors sell their holding in one gilt issue and move into another. These trades have helped to clog the marketmakers' settlement systems, prompting them to discourage retail brokers from passing them any more small bargains.

Contingent trades have become popular in recent days in part because of the Bank of England's decision, announced a month ago, to redeem its 9 per cent stock due 1992-96. For the Bank, early redemption gives the opportunity to refinance the issue at a lower coupon.

Many of the retail investors who held these gilts have been switching into other gilt issues, taking the advantage to move into longer-dated stocks to benefit from the steepening UK yield curve.

The switching has become more active recently as speculation has grown of a possible two-point interest rate cut to coincide with today's Autumn Statement. Daily trading volume has jumped to an estimated 7,000 bargains, from around 2,500 before.

The problem is said by brokers to have become acute since last Thursday when Greenwell, one of the three big marketmakers who handle retails trades, experienced a computer failure. Greenwell said yesterday its systems had not shut down entirely, and the difficulties it experienced were "readily overcome".

All three marketmakers – the others are County NatWest and UBS – were reported by brokers to have turned away trades, though the marketmakers denied they had imposed minimum size limits to deter small bargains. "We've all had difficulties, but we've done our best," County said.

The settlement difficulties have raised the spectre of the far more substantial backlog that threatened to overwhelm the equities market in 1987, and which was one of the main motivators for the development of Taurus, a paperless settlement system.

The Bank's settlement arrangements, introduced five years ago, are paper-based and rely on brokers delivering stock certificates within 24 hours of a trade taking place. Brokers complained yesterday that this arrangement is designed to suit institutional investors, rather than private clients.

"The Bank of England has resisted gilts going on to Taurus," said Mr Paul Killik of stockbrokers Killik. Gilts should at least be put onto the exchange's Talisman system, which allows paperless settlement between marketmakers, he said.

The Bank said current volumes were unusual, and yesterday afternoon it was meeting other marketmakers who only deal with institutions to see if they could help relieve the pressure.

It added that if volumes looked as though they would remain high, it expected intermediaries in the market would increase their systems capacity to service the extra business.

Liffe closer to agreement over Globex

By Tracy Corrigan

THE London International Financial Futures and Options Exchange (Liffe) is moving closer to agreement on terms for joining Globex, the after-hours trading system jointly developed by the Chicago Board of Trade the Chicago Mercantile Exchange and Reuters, following further meetings with representatives of the two US exchanges in London this week.

The US exchanges appear to be adopting a more flexible attitude to the issue of Liffe's initial commitment to the system.

Liffe has been pressing for a short time-span before it has an opportunity to withdraw.

The exchanges have also moved closer together on the issue of exclusivity – the rule that only one product in any underlying cash market can be listed on Globex.

Liffe has now accepted the principle that any contract commanding over 50 per cent of world market share will be listed on Globex.

Bund dealers sceptical over rate cut prospects

By Sara Webb

GERMAN government bonds ended lower, led by a fall in short-dated issues as the bund market appeared increasingly sceptical over prospects for a near-term cut in interest rates.

GOVERNMENT BONDS

The Bundesbank left interest rates unchanged at 8.75 per cent in yesterday's securities repurchase tender, dampening hopes of a cut in official interest rates. The central bank drained a net DM5.7bn of liquidity from the money market, but dealers said the drain was "technical" rather than an indication of Bundesbank policy.

Dealers said short and medium-dated issues showed the biggest falls, with investors taking profits in the five-year area where the gains have been strongest in recent days. They also noted some extension trades, with investors switching from five-year to 10-year bunds.

The Liffe bund futures contract fell from a high of 91.57 to end at 91.47 while the DTB's December Bobl future fell from Tuesday's close of 96.06 to 95.90.

■ THE UK government bond market ended lower at the long end, but activity was subdued ahead of Chancellor Norman Lamont's Autumn Statement.

Short-dated gilts traded in a narrow range and ended little changed or weaker, although dealers said the short-end was underpinned by hopes of a base-rate cut and a "bond-positive" Autumn Statement.

The Liffe gilt future contract fell from the opening of 102.12 to 102.01 by late afternoon on average volume.

Long-dated issues rallied initially, allowing the Bank of England to sell the remainder of its £1bn tap stock, the 8 per cent gilt due 2009 which was announced last Friday.

The 9 per cent gilt due 2008 ended at 104[illegible], down from 104[illegible], to yield 8.52 per cent while the 9¾ per cent stock due 2003 fell from 111¼ to 111[illegible].

■ ELSEWHERE in Europe Italian government bonds closed higher on hopes of a cut in official interest rates, following the easing in money market rates. The Liffe December BTP contract ended up 40 basis points at 94.88.

■ JAPANESE government bonds jumped in afternoon trading as a drop in the stock market rekindled hopes of an interest rate cut.

The rally was mainly in the futures market with the March contract, which acquired benchmark status on Tuesday, rising from 107.26 to end at 107.49.

In the cash market, the yield on the No 145 moved from 4.655 per cent at the opening to close at 4.625 per cent.

The Nikkei index fell 118.96 points to end at 16,318.15, leading to speculation in the bond market that the Bank of Japan may be forced to ease monetary policy and cut the Official Discount Rate.

US bond markets were closed for the Veterans' Day Holiday.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.4137	+0.203	8.86	8.89	8.84
BELGIUM		8.750	06/02	105.0500	-	7.97	8.11	8.38
CANADA		8.500	04/02	103.8500	+0.900	7.80	7.82	7.79
DENMARK		9.000	11/00	102.3500	+0.180	8.58	8.74	9.48
FRANCE	BTAN	8.500	03/97	101.9827	-	7.91	8.12	8.75
	OAT	8.500	11/02	102.8950	-	8.08	8.14	8.54
GERMANY		8.000	07/02	104.7220	+0.317	7.30	7.36	7.48
ITALY		12.000	05/02	94.7200	+0.650	13.40†	13.66	14.83
JAPAN	No 119	4.800	06/99	101.1417	+0.077	4.58	4.59	4.72
	No 145	5.500	03/02	105.7141	+0.240	4.62	4.69	4.87
NETHERLANDS		8.250	08/02	104.9000	+0.100	7.51	7.56	7.74
SPAIN		10.300	06/02	87.6000	+0.400	12.86	12.72	13.21
UK GILTS		10.000	11/96	110-26	+3/32	8.91	7.12	8.33
		9.750	08/02	111-20	+5/32	8.03	8.26	8.97
		9.000	10/08	104-04	-	8.53	8.74	9.23
US TREASURY *		8.375	08/02	96-21	+2/32	6.86	6.87	6.48
		7.250	08/22	94-12	-3/32	7.76	7.68	7.80
ECU (French Govt)		8.500	03/02	98.0500	-	8.81	8.84	8.30

London closing, New York market closed. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

FT FIXED INTEREST INDICES

	Nov 11	Nov 10	Nov 9	Nov 6	Nov 5	Year ago	High *	Low *
Govt Secs(UK)	95.54	95.46	95.39	95.01	94.59	88.99	95.54	85.11
Fixed Interest	110.09	109.97	109.66	109.14	108.66	98.67	110.09	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 110.09 (11/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Nov 10	Nov 9	Nov 6	Nov 5	Nov 4
Gilt Edged Bargains	302.6	277.8	249.2	226.6	236.1
5-Day average	258.4	249.3	244.0	247.9	253.1

* SE activity indices rebased 1974

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 11

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	38	21	20
Other Fixed Interest	3	1	11
Commercial, Industrial	253	272	895
Financial & Property	178	107	518
Oil & Gas	12	20	52
Plantations	1	2	6
Mines	22	26	97
Others	31	53	33
Totals	538	502	1,632

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
150	Nil	23/11	80pm	49pm	♦Harmoceft	49pm	
25	Nil	1/3	6pm	2pm	Property Trust	2½pm	
335	Nil	22/12	52pm	9pm	Wagon Indl.	16pm	

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Nov. 9
- Last Dealings Nov. 20
- Last Declarations Feb. 11
- For settlement Feb. 22

3-month call rate indications are shown in Saturday editions.

Calls in Arcon Intl. Res., ASDA, Dorling Kindersley, ML Hldgs., Norex and Telemetrix. Puts in Bank of Scotland, BET and Taylor Woodrow.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

FT-SE INDEX (*2697)

[illegible]

November 11 Total Contracts 25,008
Calls 12,389 Puts 12,619
FT-SE Index Calls 1,765 Puts 4,569
Euro FT-SE Calls 683 Puts 391
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Wed Nov 11	Day's change %	Tue Nov 10	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	129.22	+0.06	129.15	1.87	10.99
2	5-15 years (25)	147.96	+0.06	147.87	2.09	11.85
3	Over 15 years (8)	154.40	+0.06	154.30	2.32	10.57
4	Irredeemables (6)	173.87	+0.34	173.27	0.47	13.45
5	All stocks (61)	143.95	+0.06	143.87	2.05	11.64
	Index-Linked					
6	Up to 5 years (2)	184.74	+0.18	184.41	0.45	3.68
7	Over 5 years (10)	169.27	-0.02	169.31	1.00	4.04
8	All stocks (12)	170.16	....	170.15	0.93	3.96
9	Debs & Loans (62)	124.67	+0.59	123.94	2.22	10.48

AVERAGE GROSS REDEMPTION YIELDS

			Wed Nov 11	Tue Nov 10	Year ago (approx)
	British Government				
1	Low	5 years	6.82	6.83	8.44
2	Coupons	15 years	8.08	8.07	9.47
3	(0%-7¾%)	20 years	8.35	8.35	9.47
4	Medium	5 years	7.11	7.12	9.65
5	Coupons	15 years	8.47	8.47	9.58
6	(8%-10¾%)	20 years	8.72	8.73	9.55
7	High	5 years	7.36	7.37	9.86
8	Coupons	15 years	8.76	8.76	9.67
9	(11%-)	20 years	8.87	8.88	9.60
10	Irredeemables(Flat Yield)		8.69	8.71	9.67
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	2.25	2.30	3.80
12	Inflation rate 5%	Over 5 yrs	3.68	3.67	4.23
13	Inflation rate 10%	Up to 5 yrs	1.51	1.56	3.21
14	Inflation rate 10%	Over 5 yrs	3.51	3.50	4.07
15	Debs &	5 years	8.62	8.70	11.33
16	Loans	15 years	9.68	9.77	11.14
17		25 years	9.93	9.99	10.95

COMPANY NEWS: UK and Irish

Electrocomponents leaps 33%

By Paul Taylor

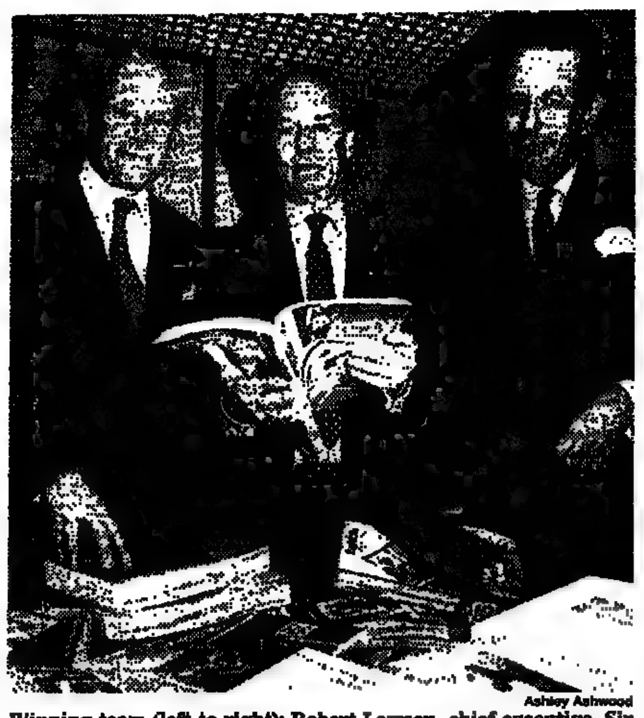
ELECTROCOMPONENTS, the distributor of electronic, electrical and mechanical components, yesterday reported a 33 per cent jump in interim profits.

Pre-tax profits in the six months to September 30, increased to £27m from a depressed £20.3m in the same period last year when profits were hit by poor trading conditions and high start-up costs in Europe.

Turnover from continuing operations grew by 9.5 per cent to £161.4m (£147.4m) while gross margins were maintained and operating profits from continuing operations increased by 6.5 per cent to £26.1m (£24.5m).

Earnings per share increased by 34 per cent to 8.42p (6.3p) and the interim dividend is raised by 5 per cent to 2p (1.9p) to reflect the group's "sound trading performance and positive cash flow".

Despite the continuing weakness of the UK economy, the group's core RS Components business managed to increase sales by 7.5 per cent. Net margins were maintained despite payment of rates for a full half year as a result of the ending of the Corby Enterprise Zone, completion of phase 2 of the Corby expansion programme and additional investment in computer systems.



Winning team (left to right): Robert Lawson, chief executive, Sir Keith Bright, chairman, and Robert Tomkinson, finance director

In Europe the launch of new operations in Germany, Denmark and Italy during the past 18 months helped RS International achieve a sales increase. These new operations will incur losses for their first three years of trading.

Pact, which supplies pre-packed electrical accessories to all large DIY retailers in the UK, "had a difficult half year", with sales below the corresponding period. However, Mr Robert Lawson, group chief executive, said September was stronger and this trend continued in October.

As a result of "stringent economies" made in overheads and operating costs, Pact made only a marginal loss in the seasonally weaker first half.

Group operating results excluded losses at the Misco computer supplies catalogue business, which has been reorganised and is up for sale. Mr Lawson said negotiations on the sale of the business were continuing and he was hopeful that they would be completed shortly.

COMMENT

Even allowing for last year's profits being depressed, figures for the latest half are impressive. Revenues in the core UK business expanded by 7.5 per cent despite the state of the economy, while net margins rose in spite of higher costs. The gains mostly reflect the group's success of splitting the catalogue and introducing a substantial number of new products while keeping a tight lid on costs. As expected, the new international operations in Europe are losing money, but their revenues are in line with budget and form a key part of the strategy to refocus the group and further exploit the RS distribution network. Remaining Misco operations will be sold shortly and Pact should strike profit in the second half. The balance sheet is strong, with net cash to £20.6m at the end of the first half, up from £5.1m at the end of March. Full-year profits of about £58m look possible and earnings of 18p per share put the stock on a prospective multiple of 18.2. This is a stock to hold, or buy on signs of weakness.

J Bibby suffers 9% downturn to £32.2m

By Peggy Hollinger

J BIBBY & Sons, the industrial and agricultural group which recently became the first foreign company to win a hostile bid in Spain, yesterday revealed a 9 per cent fall in annual pre-tax profits to £32.2m on sales 14 per cent higher at £625.2m.

The profits included a £1.9m contribution at the operating level from Finanzauto, Spain's only Caterpillar distributor, and its Portuguese subsidiary, Stet, which Bibby acquired for £86m this summer after a six-month-long bid battle.

After interest charges, however, Finanzauto – which was purchased in July – incurred a £1m loss, while Stet returned a profit.

Mr Richard Mansell-Jones, chairman, said the prospects for Finanzauto were good following a restructuring of the business. "I would hope this time next year to be making very bullish noises about Finanzauto in 1994," he said.

However, the outlook for the group as a whole – which is 79 per cent-owned by Barlow Rand, the South African Caterpillar distributor – remained difficult. "Our current expectation is that ... bleak conditions will probably prevail well into ... 1993," he said.

Bibby's four other businesses all suffered a decline in operating profit, with the sharpest fall in agricultural products.

Severe price competition in animal feeds had depressed margins, although Mr Mansell-Jones said there would be room for improvement following a rationalisation of the industry earlier this year.

In the materials handling division, the recessionary conditions of the UK were offset by growth in the south-eastern US.

Scientific products suffered from declining markets and a bad debt of £1m from Japan. Mr Mansell-Jones said the Japanese market was proving increasingly difficult.

Finally, Bibby's paper operations were down almost 10 per cent at the trading level, but slightly higher in pre-tax terms.

During the year, Bibby cut gearing from a peak of 120 per cent to 65.6 per cent, although on a banking basis – which includes guarantees as debt – the ratio was 77.9 per cent.

The final dividend is maintained at 6.9p, for a same-again total of 9.75p. Earnings of 20.09p, against 20.61p, were cushioned by a substantially lower tax charge of 18.2 per cent (29.1 per cent).

Allied Irish Banks buoyed by strong performance in US

By Tim Coone in Dublin

ALLIED IRISH Banks, the Republic's largest clearing bank, reported an 8.9 per cent increase in pre-tax profits to I£95.6m (£104.7m) for the six months to September 30, against I£87.8m last time.

The rise was achieved through the growing contribution to profits from First Maryland Bancorp of I£36m (I£18.8m) and a 10 per cent reduction in loan loss provisions to I£91.1m (I£100.5m).

Losses in the UK division at I£17.2m (I£18.1m) were down substantially from losses of I£28.9n in the half-year to March 31.

Mr Kevin Kelly, financial director said: "The banking environment in the UK continues to be difficult, but there has been a stabilisation of our non-performing loans and our retail banking activity in the UK has shown a modest profit."

Non-performing loans in the UK amounted to I£353m, down from I£370m, equal to 19 per cent of the loan portfolio there, compared to I£306m in Ireland (5.3 per cent of the portfolio) and I£97m in the US (3.1 per cent of the portfolio).

A surge in employee costs, from I£199m to I£231.6m, was due to "one-off" costs of an agreement with the bank unions on extended opening hours in the Republic and rationalisation costs in the UK.

Mr Gerald Scanlan, group chief executive, said that the underlying wage cost increase was only 4.5 per cent.

In the Irish division, there was a 4 per cent decline in profits due to lower business activity and an increase in loan loss provisions.

Mr Kelly said that the bank's biggest concern was the "flattening out" of lending in the Irish market.

Disaggregated figures were not given, but the group's overall loan portfolio fell by 10 per cent, from I£13.4bn to I£12bn, with total assets slipping from I£18.4bn to I£18.1bn.

Mr Kelly said that the Irish market had been an "engine of growth" for the group as a whole.

The Tier One capital adequacy ratio improved to 6.9 per cent (6.7 per cent).

Earnings per share rose to 9.2p (8.5p) and an interim dividend of 3.8p (3.6p) is declared.

COMMENT

Of all the clearing banks on both sides of the Irish Sea, AIB continues to stand out as being the only one not to have been downgraded over the past year by the rating agencies. Losses in the UK have been brought under control, and costs are set to fall further in 1993. The one cloud on the horizon is the worrying outlook for the bank's core market in Ireland. The next results – due in three months as the year-end is changing to December – are likely to reflect a further deterioration in lending and non-performing loans, caused by sterling's fall in September and the current high level of Irish interest rates. If rates do not fall significantly in the months ahead, economic activity may stagnate in 1993. Thus, it is handy that the well-timed expansion into the Maryland banking market is now contributing to the bottom line. Pre-tax profits for 12 months to December are forecast at around I£220m for a p/e of 8.

Wm Cook hit by US losses

By Richard Gourlay

WILLIAM COOK, the Sheffield-based steel castings group, yesterday reported a collapse in profits following the slide into losses of a US company acquired two years ago.

Pre-tax profits in the six months to October 3 fell from £4.05m to £604,000 on sales down 13 per cent at £49.6m.

In spite of the recession, the company said its UK operations held up well with margins almost maintained at 8.2 per cent.

The problem was with Unitcast, the US steel-caster purchased in 1990. During the period, it lost £1.1m on turnover of £2.47m after sales to the US rail freight cars business collapsed.

Monthly losses at the US company have been reduced to £100,000 a month. If a buyer is not found by the end of the year, the company will be closed, according to Mr Andrew Cook, chairman and chief executive.

Sales in the US fell 40 per cent and while eight William Cook executives had been despatched to sort out the problem, Mr Cook said the company had been caught in "an old fashioned knacker-trap."

In the UK, however, sales of £46.2m produced profits of £3.77m.

Gearing fell slightly during the period to 65 per cent. However, an expected write-off of the Unitcast investment is likely to increase the percentage.

Earnings per share dropped from 12.98p to 1.93p and the interim dividend is cut from 5p to 1.5p.

COMMENT

There are occasions when shareholders would be best served by the chief executive leaving for a two year holiday; sometimes, there can be no more powerful sell signal than a management team with time on its hands. William Cook is a case in point. Within two years it has paid £12.8m for an ill-considered expansion into the US and has tried and failed to take over Telfos, the engineering group. The latter left William Cook with a bruised reputation and a £300,000 loss; the US move is more likely to leave the group with a £8m write-off. Whether exceptional or extraordinary, this is a nasty dent in the balance sheet. The shame is that underneath is a good business. The same man who sunk William Cook in its US adventure successfully forged the UK foundry industry into a workable and internationally competitive form. With forecasts of £3.7m pre-tax this year, giving 13p of earnings and a prospective multiple of 8, this stock is undervalued.

Fresh provisions push Regalian to £21m loss

By Vanessa Houlder, Property Correspondent

A FRESH set of provisions against falling property values pushed Regalian Properties into a pre-tax loss of £21.5m for the six months to September 30.

The result, which compares with a profit of £6.42m for the same period last year, followed a loss of £26.8m for the year to March 31.

Mr David Goldstone, chairman and chief executive, was pessimistic about prospects for the second half.

"The approach of the traditionally quiet winter months and no immediate prospect of restoration of consumer confidence, no upturn in the market, nor significant improvement in trading during the second half of the financial year is envisaged," Mr Goldstone said.

The £18.3m provisions against falling property values largely referred to a luxury block of flats in Kensington Palace Gardens, west London. The company is attempting to sell the block in its entirety through an offer for sale.

These provisions, together with a £5.35m loss on the sale of fixed assets and other items, resulted in an exceptional charge of £24.5m. This offset an operating profit of £3m (£8.42m).

Borrowings fell sharply from £130m to £88m.

Regalian's last set of accounts were qualified because of the auditors' concern about the value of its property, particularly the Kensington Palace Gardens flats and a Paddington development site.

Mr Goldstone said disposal of the flats would provide the basis of future profitability.

"Residential refurbishment opportunities are available which, even at current house prices, would give rise to significant return on capital for those developers with cash resources and the expertise which Regalian retains," he said.

Net assets per share, adjusted for the effects of a rights issue in July 1991, fell from 104.8p to 88.58p.

Costain denies Peabody's 'bad faith' allegations

By Andrew Taylor, Construction Correspondent

COSTAIN, the UK construction group which is being sued for accepting a higher offer for its Australian coal-mining business, yesterday strongly denied claims that it had acted in "bad faith and breach of written obligations".

Altus Finance, a subsidiary of Crédit Lyonnais, the French bank, announced on Monday that it had agreed to pay $245m (£162m) for the mining business and Costain's remaining Australian commercial property interests.

Costain had previously agreed to sell the mining business for $200m to Peabody Holding, the US-based coal-mining subsidiary of Hanson, the UK conglomerate.

Peabody, in a lawsuit filed in the St Louis circuit court, asked that Costain be made to abide by the terms of the original agreement, and an injunction placed on the sale to Altus.

Mr Peter Costain, chief executive, who is also being sued by Peabody, denied that he had broken an agreement. "There was a written agreement giving Peabody exclusive negotiating rights until September 21. Subsequently I agreed, orally, to extend these rights to September 30. Altus did not appear on the scene until some time after September 30."

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Appleby Westward, Boots, Capital Gearing Trust, Chrisse, FKI, Northumbrian Water, Portsmouth & Sunderland News, Rexmore, Staveley Inds, Waddington (John).

Finals- Burton, Drayton Asia Trust, Euromoney Publications, Five Oaks Inv, McLeod Russel, Molyneux Estates.

FUTURE DATES

Interims-	
BET	Nov. 26
BPB Inds	Nov. 25
Bimec Inds	Nov. 13
General Electric	Dec. 2
Hewetson	Nov. 23
Latham (James)	Dec. 3
ML Hldgs	Nov. 26
Rothmans Intl	Nov. 25
Salvesen (Christian)	Dec. 2
Scottish & Newcastle	Dec. 7
Wellman	Dec. 7
Finals-	
API	Dec. 10
Cosalt	Nov. 17
Westland	Dec. 7

Southern Electric postpones results

By David Lascelles, Resources Editor

SOUTHERN ELECTRIC has postponed the announcement of its interim results from November 24 to December 15.

The company said yesterday that the three-week delay was intended to avoid a clash with a scheduled appearance of its chairman, Mr Duncan Ross, on November 25 before the Commons select committee inquiry into the coal industry.

Southern Electric is deeply involved in the construction of gas-fired power stations, which have been blamed for edging coal out of the market.

There is concern within the company that controversy could interfere with the communication of its results.

"We have no intention of ducking the issues, but we want to do everything at the appropriate time," said Mr Jim Hart, commercial director.

NEWS DIGEST

Recovery under way at Bett Bros

BETT BROTHERS, the property, building and leisure group, returned to the black with profits of £3.3m pre-tax in the second half of its year to August 31, writes Graham Deller.

The profit, which partly reflected lower interest charges of £2.49m (£3.17m) following restructuring of the balance sheet, reduced the deficit for the full year from £8.85m to £4.21m, struck after an exceptional charge of £7.51m (£15.6m).

Group turnover fell to £23m (£30.9m). Losses per 20p share worked through at 19.17p (57.35p). The final dividend, like the interim, is passed; a total of 4.2p was paid in the previous year.

AJ Archer forecasts decline to £0.9m

AJ Archer Holdings, the listed Lloyd's agency, yesterday estimated that pre-tax profits for the year to September 30 would be not less than £900,000.

Despite the downturn from the previous year's £3.12m, the agency, the second biggest after Sturge Holdings, plans to pay a final dividend of 2.2p, maintaining the total at 4.4p.

Archer also announced the terms of its acquisition of fellow agency, Kellett (Holdings). The initial £1.25m will be satisfied by £30,000 in cash plus 2.25m shares. Additional sums due are based on share of profit commissions on the Kellett syndicates.

Net asset value slips at Fleming High

Net asset value per share at Fleming High Income Investment Trust was 85.4p at October 31, against 88.7p at the April year end and 86.6p 12 months earlier.

Pre-tax revenue for the six months fell from £1.24m to £1.18m. Earnings worked through at 2.82p (2.98p) and the second interim is maintained at 1.45p making a total for the six months of 2.9p (same).

Chamberlin & Hill shows 25% advance

Chamberlin & Hill, the ferrous metal foundry, cables and switchgear group, achieved a 25 per cent advance in the six months to September 30.

From turnover up from £9.04m to £9.95m, and after paying interest of £96,000 (£72,000), pre-tax profits came through £147,000 higher at £728,000.

Earnings came out at 6.82p (5.44p) and the interim dividend is maintained at 1.75p.

Monarch Res buys mining concessions

Monarch Resources, the London-quoted mining and exploration company with operations in Venezuela, has entered into an option agreement to acquire the Emilia and Emilia II concessions.

The sites are located about 5km from the group's LA Camorra Development gold project.

Under the terms of the agreement Monarch has acquired all the shares of Mineria, which owns the mineral rights to both concessions.

In exchange for an immediate payment of $100,000 (£66,225) Monarch has the right to explore the concessions for 40 months. After this period Monarch may either relinquish its interest or pay $4m in eight instalments to retain it.

King & Shaxson well ahead

King & Shaxson Holdings, the discount house, said that for the six months to October 31 it had made "excellent profits" as opposed to a small profit last time.

Accordingly, the interim dividend is lifted from 2.5p to 4p.

Included in the results are those of wholly-owned Smith St Aubyn (Holdings), the discount house.

Jessups stages turnround to £0.5m

Stringent cost cutting and an overhaul of its business strategy returned Jessups to profitability in the year to August 31, in spite of another year of declining car sales.

In a £1.4m turnround, the motor dealer reported pre-tax profits of £506,000, compared with a £871,000 loss.

Turnover fell 12 per cent to £75.9m. Operating profits were £2.49m before net interest charges of £1.98m. Last year's charge of £2.71m swallowed operating profits of £2.33m.

Earnings were 1.05p (13.26p deficit) the final dividend of 3p makes an unchanged 4.5p total.

Scottish Value Trust asset value rises

Scottish Value Trust, which has the bulk of its investments in the investment trust sector, said that in the year to September 30 net asset value per share had risen from 48.8p to 60.1p and that since then it had risen further to 65.84p at the end of October.

The company said good progress had been made in investing the proceeds of the £14m placing and open offer in September.

The company, formerly Bremner, has changed its year end, so comparisons were not possible.

Available revenue for the period came to £426,000. In the six months to September 30 1991 available revenue came to £70,000. Earnings per share came to 1.78p, against 0.48p.

A dividend of 1.8p has already been paid for the year.

Hambros down 33% as investment profit dips

By John Gapper, Banking Correspondent

HAMBROS, the merchant bank and financial services group, yesterday reported a 33 per cent fall in interim profits after the contribution from direct investments dropped sharply.

Pre-tax profits for the six months to September 30 fell to £25m (£37.6m). The interim dividend is maintained at 4.2p, payable from earnings per share of 8p (12.6p).

Investment profits were pulled down from £9.8m to £1.7m by what the bank described as a lack of selling opportunities in a subdued market, and by the sale in March of a shareholding in CE Heath which means the insurance broker's accounts were no longer consolidated.

A slower-than-expected launch of Hambro Guardian Assured Care, a managed care business, contributed to a £2.5m pre-tax loss in miscellaneous investments.

The banking division made profits of £37.3m (£40.5m), reflecting a rise in half-year provisions for loans to £9m. The loan provision for all of last year was £13m.

Mr Charles Hambro, chairman, said banking activity and profits had held up well both at home and abroad. There had been "particularly strong contributions" from treasury, capital markets and asset finance.

The bank said it was encouraged by a recent rise in loan activity, and the fact that only £1m of the loan provision had been set aside for non-payment of interest. It had noticed a recovery of customers' ability to make interest payments.

The loss on retail financial services, largely the Hambro Countrywide estate agency chain, rose to £4.6m (£4.1m). Central finance charges and overheads rose to £9.4m (£8.6m).

Profits for the full year may depend on whether the bank completes a proposed flotation of Hambro Legal Protection by the end of March. Analysts said they expected a successful flotation to realise an investment profit of at least £10m.

Ms Alison Deuchars, analyst at Smith New Court, said she believed investment profits were likely to recover in the second half, and Hambros would make full year pre-tax profits of £87m, giving diluted earnings per share of 22.9p.

The shares initially fell to 230p but recovered to 235p, still down 9p on balance.

Vulnerable markets behind slip at Dunhill

By Angus Foster

DUNHILL, the luxury goods maker which owns Alfred Dunhill, Montblanc pens and the Chloé fashion house, yesterday announced a slight fall in profits owing to lower interest income and recession.

Pre-tax profits were £30.1m in the six months to September 30. This compared with £30.8m last time, when reduced duty-free sales in the wake of the Gulf war hit profits.

Lord Douro, chairman, said Japan and Germany – two of the company's largest markets – were both weak.

Turnover increased 21 per cent to £138.1m, with almost all the growth due to acquisitions. These included fashion designer Karl Lagerfeld and stakes in Dunhill's distributors in Japan, the US and Italy.

Operating profits increased 6.5 per cent to £21.8m.

Sales in Japan fell about 10 per cent while Germany and France, important markets for Montblanc, looked vulnerable. However, Lagerfeld's recent Paris shows were successful and bodes well for the company's women's wear sales next year.

Dunhill spent about £18m on acquisitions during the period and net cash fell "about 10 per cent" from the year-end total of £179.6m. Lower cash balances and falling interest rates meant interest income fell from £10.4m to £8.3m.

Earnings fell to 11.3p (11.5p); the interim dividend was increased to 2.9p (2.75p).

The shares fell 9p to 384p.

● COMMENT

The 10 per cent decline in Japan, while perhaps not surprising, is still slightly unnerving, even if some of the shortfall was made up in smaller markets elsewhere in the Far East. The second half is going to be tough. Dunhill's hedging policy means there will be no currency gains from sterling's decline until next year, while profits from the Lagerfeld acquisition will also be delayed because of long lead times. Dunhill's ability to manage its worldwide brands is not in doubt, and it has the added defence of a still substantial cash mountain. But it will be some time before its image as a high growth stock, achieved in the 1980s, returns. Forecast profits of £64m put the shares on a multiple of 16, which looks fully valued.

Mercury spreads wings to Canada

Hugo Dixon and Roland Rudd report on C and W's latest deal

AFTER MORE than a year of negotiations with several of the world's largest telecommunications companies Lord Young, chairman of Cable and Wireless, has finally pulled off his big deal.

The international telecommunications group sees three main advantages from the sale of 20 per cent of Mercury Communications, Britain's number two telecommunications operator, to BCE, the Canadian telecommunications group.

Firstly, it has crystallised the value of C and W's UK subsidiary. The £480m price values the company at a notional £2.4bn, while at the same time giving rise to a £300m exceptional profit.

Secondly, it has produced a partnership which C and W hopes will enhance Mercury's ability to compete more effectively against British Telecommunications and provide the basis for further collaboration around the world.

At the same time as BCE is bying a fifth of Mercury, C and W is investing £30m in BCE's UK cable television interests.

Thirdly, the cash generated from the deal will reduce the group's gearing by about 20 percentage points and so allow C and W to maintain its current investment programme in Mercury while taking on new projects outside the UK.

Without the deal C and W would have had a net cash outflow of £300m-£400m in the year to end-March 1993, estimated Mr Laurence Heyworth, of stockbrokers Robert Fleming Securities.

C and W's eagerness to make such a deal is underlined by the fact that BCE was not the group's first choice.

Lord Young held extensive talks with AT&T, the US telecommunications group, which broke down earlier this year because C and W was afraid of losing its independence.

He then turned his attention to US West, one of the US "baby Bell" telecommunication companies.

They agreed to pool their mobile communications interests in the UK but could not reach agreement about a partnership over Mercury.

Lord Young had been conducting simultaneous negotiations in Montreal and London with BCE.

At the end of August the two sides were able to reach a tentative agreement at a meeting of their senior executives at New York's exclusive Plaza Athenee Hotel.

The fine detail was settled earlier this week.

The financial benefits of the deal are clear. The price BCE paid for its stake was in the upper ranges of what analysts expected. Moreover, because of the group's underlying negative cash flow, it needed to raise money if it was to continue to expand.

The value of the partnership with BCE is more nebulous.

The deal might have been expected to presage a more aggressive attack on BT's dominant UK market position, but both companies made clear that neither Mercury nor BCE's cable television interests would be stepping up their investment as a result of the deal.

There might also appear to be substantial synergies between Mercury's long-distance network and BCE's local cable operations, which have just begun to provide telephone services. But the potential to collaborate is restricted by Mercury's licence which prevents it from showing "undue preference" to any customer.

Mercury already has 14 operational agreements with cable TV operators to provide them with long-distance services. Its agreement with BCE's cable interests will have to be on the same arms-length basis, although they do plan to develop products and services jointly and exchange personnel.

Another possible area for collaboration would have been by Northern Telecom, BCE's telecommunications manufacturing subsidiary, increasing its supply of infrastructure equipment to Mercury. However, the UK company said supply arrangements would continue to operate on an arms-length basis and it would not be changing its multi-source purchasing policy.

Other areas for collaboration could develop in the long-term, but nothing has been agreed.

Lord Young said the main focus would be in the European Community, although he conceded that opportunities were restricted by the monopoly structure of most markets.

In any event Lord Young made clear that the BCE partnership was not exclusive. C and W already has joint ventures with US West in the UK, and Bell South, another "baby bell", in Australia.

More are in prospect as telecommunications markets are opened up around the world. "We are embarrassed by choice," said Lord Young. "Our problem is deciding which company offers us the best returns for shareholders."

The cash from the BCE deal will eventually be used in such investments. "It is not going to burn a hole in our pockets" said Mr James Ross, C and W's chief executive.

Whether C and W will cut BCE in on such future deals will depend on the two groups' ability to form a productive relationship in the UK.

Trevor Humphries

James Ross: the cash will not burn a hole in C and W's pocket

Amersham rises 24% to £10m as healthcare sales improve

By Jane Fuller

TURNROUNDS IN its healthcare division and in interest payments helped Amersham International, which makes radioactive products, to increase pre-tax profit by 24 per cent to £10.2m in the six months to September 30.

The advance from £8.2m was achieved on reduced turnover of £124.8m (£136.6m) as the clinical reagents business, sold to Eastman Kodak, dropped out.

Mr Kirk Stephenson, finance director, said like-for-like sales grew by 10 per cent at constant exchange rates. Operating profit from ongoing businesses rose 18 per cent, from £6.8m to £8m.

Royalties from clinical reagents amounted to £1.7m, compared with last year's £2.8m. Annual royalty income was expected to be £4m-£5m.

Operating profit was struck after research and development spending of £7.6m (£7.3m). The pre-tax figure benefited from £400,000 of interest received compared with a £1.4m charge. This followed the receipt of £47m from Kodak at the end of March.

In the healthcare division the turnround amounted to £1.8m to give an operating profit of £200,000 on sales of £42.3m (£40.1m). Mr Bill Castell, chief executive, said sales of Ceretec, the brain imaging agent, grew by 36 per cent to £9m and there had been a small improvement in gross margins of the commodity products.

Margins could be rebuilt by increasing the branded element. Progress in this area had been made with both the follow-ups to Ceretec: Metastron, for cancer pain relief, and Myoview, a heart imager.

In the life science division, which serves academic institutions and research wings of pharmaceuticals companies, an additional £700,000 in research and development spending accounted for the fall in operating profit to £9.8m (£10.5) on sales of £46.9m (£44.9m).

Mr Castell said cuts in Japan, Germany and France had been offset by growth in the UK and the US.

Long-term prospects lay in such areas as DNA investigation and to diagnose genetic propensity to illness.

Industrial quality and safety assurance improved profit by 10 per cent to £2.3m. Losses in environmental assays were little changed at £1.3m.

Earnings per share rose to 11.4p (9.1p). The interim dividend goes up to 4p (3.7p).

● COMMENT

With 85 per cent of sales overseas but most of its manufacturing in the UK, Amersham stands to benefit by at least £5m from sterling's devaluation in a full year. Factoring that into next year's profit forecasts alongside the underlying business growth helped pushed the share price up 29p to 555p yesterday. Amersham's tantalising prospects come in two packages: ample scope for rebuilding margins in healthcare and a promising product pipeline. Profits should also be helped by reduced losses in environmental assays now that the new dipstick to test for contamination is on the market. For the full year, profit is forecast to grow from £20.7m to £24m-£25m. The prospective p/e of about 20 makes the group look fully valued short term, but forecasts of a 30 to 40 per cent profit increase next year make the stock worth holding.

BCE looks set for a record year

By Bernard Simon in Toronto

BCE, Cable and Wireless's new Canadian partner, has a reputation at home as a company which speaks softly but wields a big stick.

Formerly known as Bell Canada Enterprises – and no relation to the US Bell telephone companies – BCE is Canada's biggest company. Its revenues could exceed C$20bn (£10.4bn) for the first time this year, and it is the only Canadian group to have achieved earnings of more than a billion dollars a year.

Net income in 1991 was C$1.38bn, or C$4.01 a share, from revenues of C$19.9bn. The 20 per cent stake in Mercury Communications announced yesterday is expected to add between 2 and 4 cents a share to 1993 earnings.

The deal with Mercury reflects BCE's eagerness to return to its roots in the telecommunications business after its patchy attempts at diversification during the 1980s. A venture into real estate development was a costly disaster, and it has retreated from investments in energy, pipelines and publishing.

BCE retains a minority interest in TransCanada PipeLines of Calgary. Its only other substantial investment outside telecommunications is now Montreal Trust, a mid-size financial services group.

BCE's cash cow is Bell Canada, its wholly owned subsidiary which has a virtual monopoly on telephone services to the 15m residents of Ontario and Quebec.

BCE holds 53 per cent of Northern Telecom, a telephone equipment maker which last year acquired Britain's STC. Nortel and Bell Canada share ownership of Bell-Northern Research, an Ottawa-based telecommunications research and development company.

Three years ago, BCE also acquired a 23 per cent stake in Videotron, the British cable TV arm of Canada's second-biggest cable operator.

With the arrival of some fresh blood in recent years, BCE's top ranks now include some of Canada's most respected executives. Its president, Mr Red Wilson, is a former chief executive of Tate & Lyle's Canadian operations.

BCE was the envy of many a Canadian company last month when it recruited Mr Derek Burney, Canada's current ambassador in Washington and a former chief of staff to Mr Brian Mulroney, the prime minister.

Receiver expected at Barrett

By Andrew Bolger

HENRY BARRETT Group, the Bradford-based steel and industrial fasteners group, has joined the list of small late-eighties stock market stars to crash to earth.

The shares were suspended at 7p yesterday, valuing the group at £3m, compared to a peak of £110m in 1989.

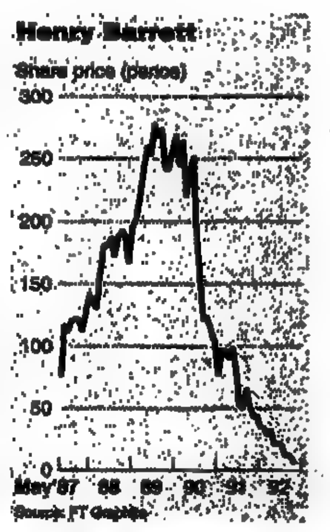
The company asked for the suspension at 8.50am, pending clarification of its financial position.

No statement was forthcoming yesterday, but the appointment of a receiver is expected today.

Henry Barrett, which employs about 750 people, grew rapidly after flotation in 1987.

It benefited from the last construction boom and bought 13 companies in an attempt to diversify away from the inevitably cyclical core business of steel stockholding and making steel-framed buildings.

The group's problems were precipitated by the collapse in demand for steel-framed warehouses and out-of-town stores from retailers such as MFI and Texas Homecare.



And the acquisitions programme meant that the group entered the downturn with a heavily-geared balance sheet.

Although most of the companies concerned have since been sold, the group was heading for a loss this year and in July said its debts stood at £18m.

The diversification was masterminded by Mr Stuart Greenwood, then finance director, who departed two years ago to join Spring Ram Corporation, the Bradford kitchens and bathrooms group, as main board director.

The collapse is a cruel blow for Mr James Barrett, 37, and his brother, Mr Richard Barrett, 35, who helped buy out the 48 per cent of shares held by family members and bring the company to market.

The brothers, who respectively manage the stockholding and construction divisions, are great-great-grandsons of the founder, Henry Barrett, who started in 1886 as an iron merchant.

The company had been trying to reduce its working capital and improve efficiency under the chairmanship of Mr Donald Parvin, a former chief executive of Matthew Clark, the mechanical and electrical engineers. Mr Parvin became chairman last December and assumed an executive role in July.

The group had been making some progress, but it is understood that an unexpected problem exhausted the patience of its banks, led by Barclays, which were increasingly alarmed by the trading outlook.

Car distribution buy for Tibbett

By Angus Foster

TIBBETT & Britten, a distributor and warehouser to the garment and retailing industries, is moving into car distribution through the proposed acquisition of Silcock Express, a private company.

Mr John Harvey, Tibbett's chairman, said the two companies had much in common.

Both rely on long-term contracts and have developed added-value products in distribution service.

Tibbett will pay an initial £31.2m to Mr Bernard Holmes, Silcock's founding shareholder. Depending on Silcock's profitability up to 1994, the maximum possible price will rise to £52.6m.

Tibbett is launching a 1-for-5 rights issue, underwritten by Hill Samuel, at 465p to raise £30.8m after expenses.

Mr Holmes will receive £7m of the initial consideration in new shares, giving him a 3.5 per cent stake. This will leave the company £6.4m of the rights money as working capital.

The stock market reacted well to the news. Tibbett's shares ended 1p lower at 547p, after recovering from 535p.

Silcock operates about 550 transport vehicles and 31 rail wagons with businesses in the UK, France, Belgium, Spain and Portugal.

As well as transport and storage service, Silcock provides special services such as repairs, customisation and de-waxing. Its biggest clients are Ford, Volkswagen/Audi and Peugeot.

Tibbett will use Silcock's European network to expand its distribution services into Europe, where it is poorly represented. It also hopes to introduce more sophisticated distribution and warehousing practices from the retailing sector into car distribution.

Silcock made pre-tax profits of £5.8m on turnover of £94.5m in the year to December 28.

Under the terms of the acquisition, the purchase price will be reduced if Silcock's pre-tax profits this year fall below £5.5m or if shareholders' funds are less than £15.2m by the year end.

Wardell Roberts falls to I£1.27m despite sale

By Matthew Curtin

WARDELL ROBERTS, the Irish Foods group, reported a fall in first half pre-tax profits from I£1.33m to I£1.27m (£1.39m) as tough trading conditions offset the disposal of Country Style, its loss-making UK poultry business.

Turnover was virtually unchanged at I£20m at the core businesses, but operating profit fell to I£1.39m (I£1.53m). Interest payments were reduced to I£116,000 (I£199,000).

Earnings per share on the increased capital dipped to 4p (4.4p). The interim dividend is maintained at 1.27p.

Mr Ken Peare, chief executive, said shareholders could take comfort from the unchanged dividend, a sign of the strength of the balance sheet – debt was being consistently reduced – and its healthy cashflow.

The group did not expect any improvement in the current half, but was still on the look-out for acquisitions.

He said Wardell had been able to keep increases in fixed costs below the rate of inflation, but higher marketing costs, associated with long-term development of health food brands in the UK, had knocked operating profit.

Sales at the Healthilife subsidiary in the UK rose 12 per cent, while turnover improved 5 per cent at Kelkin Naturproducts, the Irish health food division. The joint venture with KP performed well, but the tea and coffee retail business was affected by lower sales and tighter margins.

Alliance shareholders seek dismissal of board in wake of receivership

By Peggy Hollinger

SHAREHOLDERS representing more than 10 per cent of Alliance Resources, the Louisiana-based natural resources company that went into receivership last month, have called for the board to be dismissed.

Mr Graham Wilson, the administrative receiver, said yesterday that shareholders had requisitioned an extraordinary meeting to consider dismissal of the three directors and their replacement by four new candidates.

The EGM would look into possible claims against directors over alleged breaches of obligations to the company.

New candidates proposed by the shareholders include Mr John O'Brien, former Alliance chairman and managing director of Manx Petroleum, which called in the receiver over default on a loan agreement.

The other three are Mr John Craven, former employee of Cluff Resources, run by Manx chairman Mr Algy Cluff; Mr Marcus Black, formerly of broker Greig Middleton; and Mr Russ Hammond, ex-managing director of Greenwell Montagu, and well known to the independent oil sector. Mr Hammond holds 6 per cent of Alliance.

The receiver on Monday dismissed the directors of Alliance's US subsidiary and only significant asset, which had filed for Chapter 11 bankruptcy protection last month. Mr O'Brien was appointed president of the subsidiary.

Mr O'Brien, dismissed as chairman of Alliance in October, said he hoped a compromise could be reached before the EGM was called. However, he added: "If they don't call an EGM, it doesn't matter ... Manx is running the company. The plc [the parent company which held the shares of the US group] has no function."

Review Panel clears Oceana

By Andrew Jack

Oceana, the South African-controlled investment company, has been cleared by the Financial Reporting Review Panel, the UK accounts watchdog, over the way it shows profits from Etam in its annual accounts.

But the action did nothing to reduce the feud between Oceana and Etam, the fashion retailer for which it made an unsuccessful hostile bid last year.

Oceana was left with a 34.4 per cent stake in Etam, and has used equity accounting in its accounts, which allowed it to show 34.4 per cent of the company's profits as its own.

Equity accounting requires a shareholder to have "significant influence" over the company in which it has a holding. Etam says Oceana has no such power, and complained to the Review Panel. Oceana has no board members or co-operation agreements with Etam, and can only block special resolutions at an annual meeting.

IFE offers cash alternative for TVS

By Raymond Snoddy

TVS shareholders are to be given a full cash alternative under revised terms of the recommended offer by International Family Entertainment of the US.

The initial offer for TVS, the south of England ITV company that lost its franchise, was a mixture of paper and cash valued at £38.2m. The new full cash alternative – 23p a share for ordinary shareholders and 43p for preference shareholders – is worth about £36m.

The value of the share offer has been increasing because of the sinking pound and performance of IFE shares in New York.

The sterling value of a new IFE share for the offer document due out on Friday has been taken to be 759p. This is based on the $11.5 (£7.60) price of an IFE share and an exchange rate of $1.516 to the pound on November 10. This, the company says, values TVS at approximately £47.8m.

It is not clear how many small TVS shareholders will be interested in holding American stock. Under revised terms a free dealing offer for IFE stock has been withdrawn.

IFE is the company behind The Family Channel, a successful cable television channel in the US, controlled by Mr Pat Robertson, the television evangelist and his son Timothy.

Meanwhile, a second US television production company has expressed an interest in TVS, which owns the MTM production company in the US.

A number of preference shareholders have expressed opposition to the IFE deal on the grounds that it undervalues TVS.

Cabra calls in liquidators

By Vanessa Houlder, Property Correspondent

PROVISIONAL liquidators have been appointed to Cabra Estates, the property company that owns two London football grounds.

The move does not immediately affect its subsidiaries, including those which own the grounds used by Chelsea and Fulham football clubs.

The appointment of the liquidators follows a request made to the court by the company's directors. This resulted from its banks' demand for the repayment of their loan on Monday, a move that triggered the suspension of Cabra's shares on Tuesday.

St James's Place net assets up

By Philip Coggan, Personal Finance Editor

NET ASSETS per share at St James's Place Capital, the investment company chaired by Lord Rothschild, rose by 5.4 per cent to 100.7p in the six months to September 30.

The directors take the view that the company should be judged on a net asset basis, rather than on the profit and loss account. Pre-tax profits fell to £3.7m, against £21.6m.

The company was formed after the demerger of J Rothschild Holdings. It operates a fund management arm and has interests in J Rothschild Assurance, a life company, J Rothschild, Wolfensohn, a corporate finance business and a stake in RIT Capital Partners.

The increased value of the stake in RIT was the main factor behind the increase in net asset value over the period.

The interim dividend is maintained at 1.5p..

● RIT Capital Partners, the investment trust, reported a fully diluted net asset value of 146.1p per share at September 30, a 3.8 per cent rise on the year-end figure of 140.7p. Net asset value at end-September 1991 was 136.6p per share.

RIT's biggest investment, representing 31 per cent of its net assets, is a stake in Newmont Mining, included at 75 per cent of the market price on the NYSE to reflect the lack of liquidity of a large block of shares – the holding is 7 per cent of Newmont's equity.

Earnings per share were shown as 0.36p (1.58p). The shares fell 3p to 109p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied Irish Bks ....int	3.8♣	Dec 10	3.6	-	8.25
Amersham Intl ....int	4	Jan 4	3.7	-	12.5
Bett Brothers ....fin	nil	-	2.1	-	4.2
Bibby (J) ....fin	6.9†	Jan 7	5.9	9.75	9.75
Chamberlin/Hill ....int	1.75	Dec 17	1.75	-	6
Cook (William) ....int	1.5	Jan 6	5	-	10
Drayton English ....int	0.6	Dec 21	0.6	-	1.2
Dunhill ....int	2.9	Jan 9	2.75	-	7.7
Electrocompon'ts ....int	2	Jan 4	1.8	-	7
Fleming High ....int	1.45☆	Jan 5	1.45	-	5.8
Hambros ....int	4.2	Dec 14	4.2	-	13.8
Jessups ....fin	3†	Jan 8	3	4.5	4.5
King & Shaxson ....int	4	Dec 15	2.5	-	5
Regalian Props ....int	nil	-	1.5	-	1.5
St James's Place........int	1.5	Dec 15	1.5	-	3
Wardell Roberts ....int	1.27♣	Dec 4	1.27	-	3.2

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Irish pence. ☆Second interim

COMMODITIES AND AGRICULTURE

Go-ahead expected for S African aluminium project

By Philip Gawith in Johannesburg

ALUSAF, THE aluminium producer in South Africa's Gencor group, looks set today to give the go-ahead to the development of a 466,000 tonnes-a-year smelter that will catapult it into fifth place in the world primary aluminium production league.

Analysts in Johannesburg yesterday agreed that the project would be given the go-ahead following a tough struggle to raise the necessary finance. There is speculation, however, that the company will not, as originally planned, be listed on the stock exchange, because of the poor market sentiment currently prevailing.

The financial plan is for a total of R8.7bn (£940m) of new capital to be raised, the equity portion of this representing R3.1bn. Gencor and the Industrial Development Corporation will be putting up R1bn and R800m respectively, while Alusaf was seeking the balance of R1.3bn from local institutions.

Mr Dave Russell, analyst at stockbrokers Irish & Menell Rosenberg, said he believed that Escom, the electricity supply utility, would be contributing a portion of the equity funding following reluctance on the part of smaller institutions to commit themselves to funding a project where there will be a delay of about four years before returns are received. That difficulties were encountered in raising funds is evident from the fact that the share placing with institutions was originally supposed to close on October 28, with listing of the company set by the sponsoring brokers for November 4.

The existing Alusaf smelter, with its capacity of 170,000 tonnes a year, is a small and uncompetitive producer with only a 0.9 per cent global market share. With the new capacity in place on the likely completion date in October 1996, Alusaf's ultimate tonnage will be equivalent to 3.6 per cent of present global production.

Mr Mike Woth, mining analyst at stockbrokers Rice Rinaldi said yesterday that the timing of the project was excellent, coming as it did with the aluminium market at or near the bottom of a downturn. Although the industry is at present experiencing difficult times with low metal prices rendering a considerable portion of world production uneconomic, there is a view that the industry will be facing a shortage of aluminium by the middle of the decade.

Sumitomo Corporation of Japan, one of the world's largest metal trading groups, recently estimated that by 1995 annual demand for aluminium would outpace supply by 1.23m tonnes.

Alusaf has obtained favourable long-term contracts for the supply of alumina and power which will shift it towards the bottom of the cost curve when world aluminium prices are low.

● At the London Metal Exchange yesterday the cash aluminium price rose by $16 to $1,153 a tonne, but that was only about $80 above the life-of contract low reached last year.

Enlightened self-interest in a multi-racial sugar sector

Philip Gawith on efforts to make up for years of benign neglect of the mainly black small growers

WHILE SOUTH Africa's politicians make heavy weather of lending constitutional shape to the new South Africa, a whole range of initiatives across the business and social spectrum make clear that the transition process is, in other respects, well under way.

One such initiative is in the sugar industry, one of South Africa's largest agricultural sectors, which has the unique feature of having a large non-white component.

Located mainly in the coastal regions of Natal, the industry is split between the 2,000 almost exclusively white commercial, or quota, growers and the 40,000, mainly black, small growers. The latter – defined as anyone producing less than 150 tonnes of sucrose a year – farm about 20 per cent of the total area under cane, but produce only 10 per cent of the total crop.

In April, however, these growers launched the Small Grower Development Trust, a move which, seen together with other deregulation initiatives, has the potential fundamentally to alter the shape and functioning of the industry.

Although the examples of individual commercial growers assisting their smaller neighbours are many, going back decades, the industry attitude tended towards benign neglect rather than any concerted effort at small grower advancement.

An important exception to this was the formation in 1973 of the Financial Aid Fund, an effort to assist small growers, most of whom would not have been eligible for assistance on normal commercial grounds, through provision of subsidised loans. To the extent that the scheme has contributed to the dramatic increase in small grower numbers from 3,000 in 1973 to 40,000 now, the fund has achieved great success.

This surge in numbers, however, must be kept in perspective. With the average size of farm only about 2.5 hectares (six acres), most of these units are too small to be viable and act only as supplementary sources of income, to the tune of R2,000 to R3,000 (£280 to £420) a year. Probably less than 15 per cent of the small growers qualify as proper farmers, these being the ones with larger than average plots.

Thus although the sugar industry had achieved considerable success in broadening its base, the development of these new farmers had lagged. Most of them were not on a viable financial footing, and they were not properly integrated into industry structures.

They felt disenfranchised and powerless in the running of the industry and a perception took hold that the industry's interest in them did not extend beyond viewing them as a source of production.

This is where the trust comes in – an initiative of small growers, supported by the industry, to promote their personal empowerment and development as farmers. Essentially it aims to support and assist them in the development, improvement and extension of their sugar farming operations. There will be three main phases to its activities – first the development of administrative and organisational support structures; then offering improved extension services; and finally provision of further financial support. The first phase will involve the stationing of administrative officers at all the mills where small growers deliver cane. Their job will be to improve communication with small growers, and to provide assistance across a wide range of training, financial, organisational and other needs.

A total of R70m is being sought both in South Africa and abroad to ensure the trust's viability. The industry will donate at least R20m over the next five years, while the small growers themselves intend to levy a sum of 30 cents a tonne of cane to help finance the trust.

Small growers had already benefited from deregulation initiatives in 1990, allowing those within 30 km (18 miles) of a mill free entry into the industry – commercial growers must purchase quota – while in 1991 racially discriminatory restrictions on land ownership were scrapped, to the potential benefit of small growers.

Although the trust did not have its origins in politics, the greater attention being given to small grower needs is undoubtedly intertwined with the political reform process under way in the country since February 1990 when the African National Congress was legalised and its leader, Mr Nelson Mandela, released from prison. Mr Patrick Sokhela of the newly formed trust notes: "We said if the country is changing, there is no way we can carry on like this". The grievance being referred to was one of representation – until a few months ago, representation on the producer body, the South African Cane Growers Association, was on a "one tonne, one vote" basis, with the result that small growers only had three representatives on the board of 37.

Now the composition of the SACGA board has been revised to a regionally-based structure where small and commercial growers will enjoy equal representation in each region. Apart from being the necessary political accompaniment of the trust – empowered people will clearly want representation – the structural changes in the industry also represent formal recognition by established interests that there is more to small growers than how much cane they produce.

Applying fertiliser, like many field operations, is generally done by hand, as mechanisation is expensive in small grower areas.

One issue is why commercial growers should be so keen on assisting their poorer colleagues? Clearly there are a number of motives at work here. One is goodwill – many commercial growers have long provided assistance to small grower neighbours, so formalising this through the trust is a logical development. Millers also approve, because the trust holds out the promise of increased cane deliveries.

The trust is also underpinned by impeccable socio-economic logic. Driving just north of Durban through parts of Kwazulu – the Zulu homeland interspersed with Natal – where most of the small growers are, the uplifting potential of the sugar industry is clear. Where the sugar farmers are present and successful, lifestyle standards are clearly superior to where farmers are merely involved in subsistence crops. The distinction is almost as simple as looking to see whether they live in comfortable, commercially-built dwellings, or whether they are in more basic mud-huts.

There is also a strong whiff of of enlightened self-interest about industry support for the trust initiative. After all, with white agriculture in South Africa apprehensive about how it will fare under a future government, what better defence for the sugar industry than the presence in its midst of the largest semi-commercial black farming sector in the country, supported by its richer partners in a way which amounts to affirmative action?

Mr Mike Mathews, executive director of the South African Sugar Association – the body that administers the industry on behalf of growers and millers – concedes that the industry has not done as much as it might, in the past, to help small growers, but adds, "I don't think anybody in this country can say they did enough, or did all they could". He also adds that the sugar industry's record enjoys favourable comparison with just about any other agricultural sector in the country.

Although the trust's aims are admirable, the challenges it faces are formidable. As mentioned, many small farmers are on sub-economic units, not least because traditional systems of land tenure mean that farmers do not own the land they farm; it is held by the chief and hence consolidation of plots into a larger entity requires more than a willing buyer and a willing seller. Empowerment also means grappling with basic problems like literacy.

There is also more that can be done to help the small grower. Thus there is pressure to have small grower redefined as one producing not 150, but 300 tonnes of sucrose a year (though 150 tonnes of sugar currently grosses about R100,000 - a not inconsiderable sum); and to have the 30-km restriction limit removed. Means also need to be found of allowing these farmers to obtain access to preferential Land Bank loans from which they are at present excluded, owing to factors of size and risk.

For both political and economic reasons, these are challenges that simply have to be overcome. If there is any area in agriculture where there exists a reasonable platform from which to develop a sizeable number of black commercial farmers, it is in sugar.

Last LME sterling metal prices to go

By Kenneth Gooding, Mining Correspondent

THE LONDON Metal Exchange yesterday decided to end its tradition of quoting copper and lead prices in sterling during the twice-daily open outcry sessions in the "ring" and in kerb (after hours) trading. From July next year these metals, like the other five traded on the exchange, will be quoted in US dollars.

LME members previously had resolutely stood against this change, some claiming trading in sterling often provided opportunities to make extra profit from arbitrage and foreign exchange transactions.

However, minds were changed during the recent turmoil in currency markets, which resulted in the UK's withdrawal from the European Community's exchange rate mechanism. Dealers complained that trading virtually ground to a halt at that time because it was impossible to convert sterling prices into dollars on forward contracts.

After members put on pressure for the change, the LME held a poll. Dealers said about 70 per cent of those who voted favoured trading copper and lead in dollars and the LME board voted for the change at yesterday's meeting. The US currency is already used almost exclusively in inter-office copper and lead trading.

Mr David King, the LME's chief executive, said talks were going on with members and industrial users of the exchange to find the right mechanism to ensure an orderly transition from sterling to dollars.

Yesterday's move inevitably will increase pressure from some members for LME copper warehouses to be established in the US. They see this as an important step towards winning more North American copper hedging business away from the New York Commodity Exchange (Comex). Mr King said, however, that the currency move had no connexion with any plan to establish LME copper warehouses in the US and added that this question had not arisen at yesterday's meeting.

● Credit Lyonnais Rouse, part of the Credit Lyonnais banking group of France, was yesterday accepted as a ring-dealing member of the LME, taking the total to 17. There were 29 ring-dealing members in 1980 but the numbers have dropped mainly because of the traumas arising from the 1985 tin crisis, which at one point threatened the very existence of the LME, but also through mergers. The exchange recently set up a working group of non-executive directors to study why most recent entrants have opted for associate, rather than ring-dealing, membership.

India worried about rise in imports of cashew nuts

By Kunal Bose in Calcutta

INDIA IS becoming increasingly dependent on the import of raw cashew nuts to sustain a high level of export of cashew nut kernels.

Strong growth in the domestic demand for cashew nuts, much to the surprise of commodity experts, has eaten into India's exportable surplus. As a result the country will have to import about 100,000 tonnes of raw nuts to maintain its share of more than 50 per cent of the world trade in cashew nut kernels. In 1987-88 imports amounted to 42,600 tonnes.

Traders say India cannot continue to depend on raw cashew imports indefinitely as the East African countries that supply them are rapidly developing mechanised cashew processing facilities of their own. India has nearly 532,000 hectares (1.3m acres) of land devoted to cashew cultivation. Besides Kerala, the other important growing states are Maharashtra, Karnataka, Goa, Andhra Pradesh and Orissa.

It is believed that better agricultural techniques could lead to a substantial improvement in the average productivity from the present 635 kg a hectare. Moreover, there is scope for bringing more land under the crop, particularly in the north-eastern states.

Because of its value as a foreign exchange earner – export receipts are about Rs5.5bn (£126m) at present – and the huge employment it offers to the poorer sections of society, the federal and state authorities have been wooing established business houses to take up cashew cultivation and export.

The World Bank has also made available a line of credit to promote cashew cultivation in a number of states.

India's capacity to process raw cashew is almost double the domestic production of the crop. Without a high level of imports, much of this capacity will lay idle, throwing hundreds of people out of employment. The edge Indian cashew enjoys in the world market is largely because of the quality of manual processing.

WORLD COMMODITIES PRICES

MARKET REPORT

London ROBUSTA coffee futures, after several days of retracement, extended early gains in a late rally thought to be caused by fresh speculator buying. The January position ended the day $29 up at $937 a tonne. The advance may have been encouraged by new that Brazilian October coffee exports were 810,000 tonnes lower than in the same month last year at 1.36m bags (60 kg each). COCOA prices surrendered some of the previous day's gains as dealers said the market was consolidating after recently reaching nine-month highs. They noted light industry buying but said producers were mostly sidelined, although there had been small West African sales in nearby months. GOLD and SILVER prices steadied following Tuesday's sharp setbacks, which traders said had left gold heavily oversold. At the London Metal Exchange COPPER prices edged higher following Tuesday's rally, but early gains in the NICKEL market were wiped out by merchant selling. The ZINC market, lacking follow-through after an early rally, closed virtually unchanged.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Dec)		+ or -
Dubai	$17.70-7.75u	
Brent Blend (dated)	$19.35-9.45	-.125
Brent Blend (Dec)	$19.40-9.50	-.125
W.T.I (1 pm est)	$20.50-0.60u	-.075
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$207-209	
Gas Oil	$186-187	+1
Heavy Fuel Oil	$95-97	
Naphtha	$153-194	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$332.15	[illegible]
Silver (per troy oz)♣	369.50c	+1
Platinum (per troy oz)	$347.25	-3.5
Palladium (per troy oz)	$92.50	+0.25
Copper (US Producer)	89.50	
Lead (US Producer)	33.50c	-2.9
Tin (Kuala Lumpur market)	Unq	
Tin (New York)	265.5c	+1
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.19p	+1.46*
Sheep (live weight)†♣	73.58p	-0.40*
Pigs (live weight)†	91.04p	+0.97*
London daily sugar (raw)	$228.0z	
London daily sugar (white)	$263.5z	
Tate and Lyle export price	£257.50	-1.5
Barley (English feed)	£127.5u	
Maize (US No. 3 yellow)	£146.0	
Wheat (US Dark Northern)	Unq	
Rubber (Dec)♥	63.25p	
Rubber (Jan)♥	63.25p	
Rubber (KL RSS No 1 Dec)	223.5m	
Coconut oil (Philippines)§	$512.5y	
Palm Oil (Malaysian)§	$415.0r	+2.5
Copra (Philippines)§	$335	+2.5
Soyabeans (US)	£164.0z	-1.5
Cotton "A" index	52.65c	-0.65
Wooltops (64s Super)	414p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb r-ringgit/kg. t-Jan/Mar. y-Jan/Feb u-Dec. w-Oct/Nov z-Nov/Dec. †Meat Commission average fatstock prices. * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	196.00	196.00	195.00
May	199.00	199.00	196.00
White	**Close**	**Previous**	**High/Low**
Dec	261.00	262.50	[illegible]
Mar	258.00	258.50	257.70 256.00
May	260.50	260.80	259.60 258.90
Aug	266.00	268.20	265.10 264.40
Oct	254.80	255.20	254.00 253.10

Turnover: Raw 31(46) lots of 50 tonnes. White 1406 (2510) Paris- White (FFr per tonne): Dec 1428.82 Mar 1432.31

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Dec	19.36	19.45	19.56 19.36
Jan	19.45	19.46	19.59 19.41
Feb	19.45	19.48	19.57 19.44
Mar	19.37	19.41	19.50 19.37
Apr	19.34	19.40	19.44 19.34
May	19.28		19.38 19.30
Jun	19.25	19.24	19.30 19.25
Jul	19.25	19.26	19.30 19.20
IPE Index	19.55	19.28	

Turnover 30545 (38237)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Nov	181.00	180.25	181.50 180.00
Dec	182.75	182.00	183.25 181.50
Jan	184.25	184.00	184.50 183.00
Feb	184.75	184.50	185.00 183.50
Mar	181.50	181.00	182.25 181.00
Apr	177.75	177.25	178.00 177.00
May	175.00	174.50	176.75 175.00
Jun	174.00	173.50	174.75 174.00
Jul	175.00		175.50 175.00

Turnover 21753 (22082) lots of 100 tonnes

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	725	736	738 722
Mar	750	757	760 748
May	767	774	776 766
Jul	783	790	793 784
Sep	800	807	808 799
Dec	825	831	831 823
Mar	847	857	864 852

Turnover: 5047 (7605) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 10 782.55 (773.39) 10 day average for Nov 11 765.93 (763.43)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Nov	903	890	908 884
Jan	937	908	[illegible] 913
Mar	951	923	951 930
May	936	917	936 925
Jul	944	925	950 934
Sep	952	[illegible]	945

Turnover:5165 (2822) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 10: Comp. daily 54.80 (54.64) 15 day average 55.61 (55.54)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	85.0	[illegible]	

Turnover 127 (282) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Jun	142.50	141.00	

Turnover 0 (125) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Nov	1240	1240	1240 1235
Dec	1255	1245	1255 1245
Jan	1290	1285	1290 1280
Apr	1305	1293	1305 1283
Jul	1152		1152 1145
Oct	1350	1350	1350
BFI	1163	1156	

Turnover 258 (223)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Nov	129.50	128.50	129.50
Jan	131.20	130.70	131.30 131.00
Mar	134.15	133.60	134.30 134.00
May	136.90	136.60	137.00 136.65
Barley	**Close**	**Previous**	**High/Low**
Nov	127.95	127.25	128.00 127.95
Jan	129.95	128.75	130.25 129.95
Mar	133.00	132.10	133.00

Turnover: Wheat 224 (420), Barley 229 (67).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	118.0	118.00	118.5
Apr	107.0	108.60	108.5
May	107.8		107.0

Turnover:8 (21) lots of 3,250 kg

WOOL

Prices are managing to hold fairly steady in most, but there is no sign that demand is picking up. Recession remains the main factor in most consuming countries. Only China seems economically sound enough to buy wool in Australian and New Zealand markets with confidence. The market indicator in Australia is hovering within a cent or two of the 500 mark, just about at the lowest this season. There was however a strong sale of Scottish wool in Bradford yesterday with a full clearance at higher prices.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 31,416 lots
Cash	1162-64	1146.5-47.5	1158.5/1158	1157.5-58		
3 months	1187-88	1171-72	1191/1177	1181.5-82	1190-91	178,198 lots
Copper, Grade A (£ per tonne)						Total daily turnover 30,895 lots
Cash	1406.5-08.5	1406-08	1418.5	1416.5-19		
3 months	1432-33	1431-32	1444/1432	1443.5-44	1434-35	160,036 lots
Lead (£ per tonne)						Total daily turnover 3,055 lots
Cash	299-300	296-300	299.5/298	298-98.5		
3 months	309.5-10	310-11	314/309	311-11.25	309-10	25,080 lots
Nickel ($ per tonne)						Total daily turnover 5,719 lots
Cash	5560-65	5565-65	5540	5540-42		
3 months	5620-25	5630-40	5680/5595	5615-20	5650-60	36,566 lots
Tin ($ per tonne)						Total daily turnover 2,889 lots
Cash	5740-45	5725-35	5745	5745-55		
3 months	5780-85	5770-75	5785/5730	5780-90	5775-80	10,395 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 10,088 lots
Cash	1033-34	1033.5-34.5	1041	1040-41		
3 months	1054-55	1054-55	1071/1052	1061-61.5	1056-60	72,368 lots

LME Closing £/$ rate: SPOT: 1.5260 3 months: 1.5139 6 months: 1.5052 9 months: 1.4991

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	332.00-332.30	
Opening	331.80-332.00	
Morning fix	331.95	217.744
Afternoon fix	331.15	217.578
Day's high	332.20-332.50	
Day's low	331.00-331.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	1.89	6 months	2.04
2 months	1.90	12 months	2.30
3 months	1.90		

Silver fix	p/troy oz	US cts equiv
Spot	243.65	369.75
3 months	247.85	372.05
6 months	251.20	375.05
12 months	258.55	383.05

GOLD COINS

	$ price	£ equivalent
Krugerrand	331.50-334.50	218.00-218.00
Maple leaf	341.55-343.80	-
New Sovereign	79.00-82.00	51.00-53.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1100	73	100	3	8
1200	7	35	34	37
1300	3	7	127	108
Copper (Grade A)	**Calls**		**Puts**	
2150	34	71	24	46
2200	13	47	53	71
2250	4	30	93	103
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
800	137	157	1	6
850	91	116	5	15
900	53	81	17	30
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	27	71	3	21
725	11	58	12	31
750	3	43	29	43
Brent Crude	**Jan**	**Feb**	**Dec**	**Jan**
1900	83		31	
1950	60	68	46	60
2000	29	41	73	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	331.7	329.7	0	0
Dec	332.1	330.1	333.0	331.1
Jan	[illegible]	330.7	0	0
Feb	333.4	331.4	334.6	332.3
Apr	334.7	332.7	335.0	333.7
Jun	336.2	334.2	336.8	335.2
Aug	337.6	335.6	337.0	337.0
Oct	[illegible]	337.8	0	0
Dec	341.5	339.5	342.0	340.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	349.6	345.9	349.9	346.0
Apr	349.1	345.6	349.5	346.0
Jul	348.8	345.3	349.0	346.0
Oct	350.8	347.3	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	366.4	364.0	367.0	367.0
Dec	367.0	364.5	369.0	365.0
Jan	368.2	365.7	0	0
Mar	370.8	368.1	373.0	368.5
May	373.6	370.9	375.5	371.0
Jul	376.6	373.5	376.5	374.0
Sep	383.3	376.1	380.0	379.0
Dec	384.7	380.6	385.0	383.5
Jan	388.4	382.0	0	0
Mar	392.3	385.7	390.0	388.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	96.25	95.20	96.30	95.80
Dec	96.60	95.60	97.00	95.75
Jan	96.95	96.05	97.10	96.65
Feb	97.30	96.45	97.30	97.00
Mar	97.60	96.75	97.95	96.85
Apr	97.90	97.10	97.90	97.90
May	98.30	97.50	98.45	97.65
Jun	98.60	97.75	0	0
Jul	98.90	98.15	99.10	98.20
Aug	99.20	98.40	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Dec	20.47	20.47	20.59	20.43
Jan	20.55	20.57	20.67	20.50
Feb	20.66	20.59	20.67	20.53
Mar	20.55	20.57	20.65	20.54
Apr	20.53	20.54	20.60	20.54
May	20.50	20.51	20.58	20.52
Jun	20.47	20.48	20.53	20.48
Jul	20.44	20.45	20.53	20.45
Aug	20.41	20.42	20.49	20.43
Sep	20.38	20.39	20.46	20.44

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Dec	58.62	58.10	58.90	57.90
Jan	59.86	59.37	60.10	59.20
Feb	60.27	59.97	60.40	59.60
Mar	59.12	58.97	59.30	58.70
Apr	57.87	57.82	57.75	57.85
May	56.44	56.47	56.50	56.25
Jun	55.77	55.62	55.90	55.60
Jul	55.89	[illegible]	56.00	55.90
Aug	56.46	56.57	56.65	56.60
Sep	57.81	57.72	57.75	57.75

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	993	1006	1003	985
Mar	1023	1050	1046	1014
May	1052	1080	1077	1045
Jul	1088	1111	1107	1077
Sep	1106	1136	1125	1109
Dec	1141	1169	1150	1140
Mar	1175	1203	1175	1170
May	1204	1232	0	0
Jul	1234	1262	0	0
Sep	1257	1285	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	65.25	63.20	65.30	63.60
Mar	67.30	65.75	67.60	66.00
May	70.50	69.15	70.55	69.30
Jul	72.05	70.75	72.10	71.00
Sep	73.80	72.20	73.75	72.70
Dec	75.90	74.85	76.00	75.60
Mar	78.25	76.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.71	8.74	8.75	[illegible]
May	8.83	8.86	8.86	8.76
Jul	[illegible]	8.91	8.90	[illegible]
Oct	8.87	8.92	[illegible]	8.83
Mar	8.90	8.93	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	54.86	55.57	55.05	54.65
Mar	55.70	56.43	55.90	55.51
May	56.65	[illegible]	56.90	56.45
Jul	57.55	58.00	57.70	57.30
Oct	58.25	58.45	58.35	58.20
Dec	58.37	58.67	58.37	57.90
Mar	59.00	59.35	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	93.45	94.55	94.00	93.30
Jan	91.85	93.15	93.10	91.60
Mar	93.40	94.80	94.90	93.30
May	93.55	95.60	95.30	93.50
Jul	93.40	95.60	[illegible]	93.50
Sep	92.95	95.60	95.25	94.50
Nov	92.55	95.00	94.50	93.00
Jan	92.55	95.00	0	0
Mar	92.55	95.00	94.25	93.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov.11	Nov.10	mnth ago	yr ago
1658.8	1644.1	1602.0	1627.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov.10	Nov.9	mnth ago	yr ago
Spot	114.15	114.77	114.25	112.86
Futures	115.66	115.73	116.00	121.45

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	558/4	549/2	559/0	544/0
Jan	561/4	552/2	562/0	548/4
Mar	567/6	558/4	568/2	552/4
May	574/0	565/2	574/4	560/0
Jul	580/0	571/4	580/4	566/0
Aug	581/0	573/4	581/0	568/4
Sep	581/4	572/4	581/4	578/0
Nov	589/2	580/2	589/4	575/2

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	20.34	19.69	20.37	19.57
Jan	20.43	19.80	20.46	19.66
Mar	20.59	19.96	20.70	19.86
May	20.74	20.15	20.77	20.02
Jul	20.87	20.26	20.88	20.20
Aug	20.60	20.27	20.80	20.30
Sep	20.70	20.30	0	0
Oct	20.75	20.30	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	179.2	177.5	179.4	175.8
Jan	180.0	178.5	180.3	176.9
Mar	181.6	180.2	181.7	178.8
May	183.4	182.2	183.5	180.8
Jul	185.6	184.4	185.7	183.0
Aug	186.4	185.2	186.4	184.1
Sep	187.3	186.3	187.0	186.1
Oct	189.2	188.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	208/6	206/4	209/4	204/4
Mar	218/2	216/2	218/4	214/4
May	226/0	224/0	227/0	222/2
Jul	231/2	228/6	232/0	227/0
Sep	235/4	233/4	236/0	232/0
Dec	240/2	238/0	241/4	236/4
Mar	247/2	244/4	248/0	242/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	365/6	364/4	367/4	363/4
Mar	362/2	361/6	364/6	359/6
May	344/0	343/4	346/4	342/0
Jul	317/0	316/2	318/0	315/2
Sep	322/4	322/4	324/0	322/0
Dec	333/4	333/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.750	73.575	73.875	73.475
Feb	72.025	71.825	72.050	71.800
Apr	72.350	72.225	72.400	72.150
Jun	69.200	69.100	69.225	69.050
Aug	68.050	68.000	68.075	68.000
Oct	68.475	68.550	68.500	68.300
Dec	68.725	68.725	0	0

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	42.825	42.725	43.150	42.750
Feb	43.000	43.025	43.200	42.850
Apr	40.700	40.775	40.825	40.600
Jun	45.000	45.025	45.000	44.800
Jul	44.550	44.575	44.700	44.500
Aug	43.350	43.475	43.400	43.300
Oct	40.425	40.600	40.500	40.325
Dec	42.400	42.500	42.400	42.350

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	41.425	40.925	41.700	41.075
Mar	41.400	40.900	41.625	41.100
May	42.950	42.450	43.000	42.500
Jul	43.460	42.900	43.450	42.700
Aug	42.700	42.350	42.750	42.200

JORDAN

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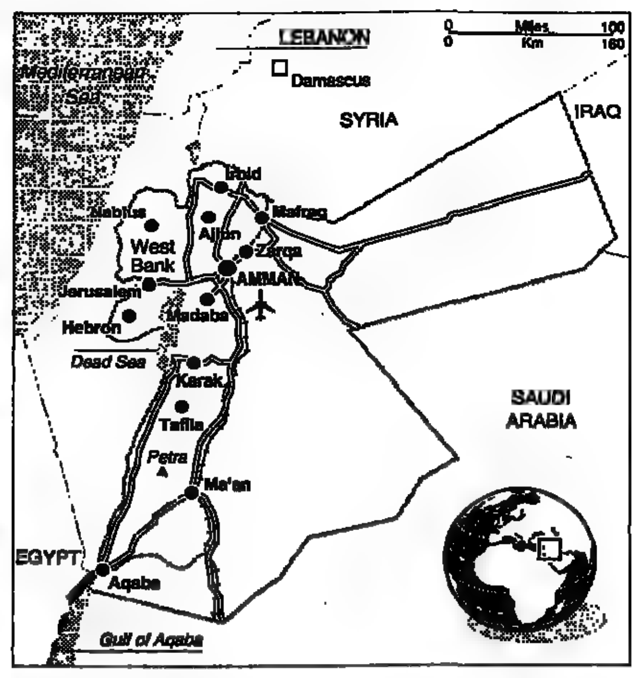
☐ Why culture is worth more than camels Page 4

Thursday November 12 1992

The Hashemite Kingdom is emerging from the political, economic and diplomatic straits caused by the Gulf War. But King Hussein's health problems and the challenges of the Middle East peace talks raise some difficult questions. **Hugh Carnegy** reports

King strikes sombre note

King Hussein's triumphal welcome home after recent surgery in the US



Savings fly home and give the banks a lift

As the estimated 300,000 returnees repatriated their savings, foreign currency deposits shot up to $3.2bn in July, against $1.4bn at the end of the Gulf war

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JUST as Jordan had begun to *rise out of the economic and* political trough into which it plunged during the Gulf crisis of 1990-91, a new and deep worry has arisen over the health of King Hussein who for 40 years has anchored the nation through countless emergencies.

Surgery for cancer that the King underwent in the US in August sent a shudder of fear through Jordanians over how long he may have to live and what might follow his reign.

The deeply unsettling prospect of his death was addressed by the King himself earlier this month in a sombre television speech. Telling his subjects that he did not yet know whether he was cured, the monarch, who will be 57 on November 14, appeared to be preparing the nation for the worst. "I wish to say to you that the life of an enlightened people and a vibrant nation cannot be measured by the life of an individual," he said.

The King's illness has struck at a time when Jordanians have looked to him as perhaps never before to chart them through formidable challenges. Although the economy has undergone a dramatic upturn this year, and the international isolation that Jordan underwent in the Gulf crisis has eased, complex issues confront the kingdom.

The surge in the economy must be sustained if the country is to cope with the burden of a sudden 10 per cent population increase caused by the arrival over the past year of some 300,000 Palestinians expelled from Kuwait and other Gulf states.

In the Middle East peace negotiations, Jordan must not only try to make peace with Israel on its own account, but will also have to work out a future relationship with the Palestinians of the West Bank and Gaza. Meanwhile, the King has been the key figure in the management of a gradual process of democratisation that has allowed Islamic fundamentalists a political voice beyond the limits permitted in most Arab countries.

The irony of the King's illness is that it has emerged when he appears more secure and in command of his kingdom than ever. Since his grandfather Abdullah established – with British backing – his family's rule over Jordan in 1921, the Hashemites have struggled to entrench their hold over a resource-starved country carved more or less arbitrarily out of the desert and latterly peopled mostly by Palestinians originally from west of the Jordan River.

Now King Hussein is more popular than at any time since he succeeded his father in 1952. The acclaim he won at home for his refusal to back his Gulf neighbours and the US against Baghdad in the war to oust Iraq from Kuwait has not waned. His reward was a triumphal welcome home on September 24 when he returned from the US.

In an interview for this survey, conducted in his office behind doors guarded by sword-wielding, black-coated Circassian sentries, the King said he had never expected to experience "that kind of warmth and feeling and concern in my lifetime. I was deeply moved."

To the layman's eye, the King seemed well and in good spirits. For the moment at least, he and his government, led by Sharif Zeid Bin Shaker, the prime minister, can take satisfaction from the evident improvements in the past year.

In the economy, an inflow of capital in the form of aid from western countries and money brought in by the Palestinian "returnees" has more than compensated for the loss of Gulf aid and remittances. Much of the Palestinian money has been invested in a private-sector construction boom that has driven up real GDP growth this year to 11 per cent.

This has eased the pressure of the heavy cost of coping with the population increase. Exporters have proved adroit at finding substitutes for the once-dominant Iraqi market and tourism has bounced back to 1989 levels, easing the current account deficit.

The government was expected this week to conclude a new standby agreement with the IMF, its third since the economy lurched into a debt crisis in 1989. Jordan's $8bn foreign debt has been brought under tight management, with a rescheduling agreement struck earlier this year with the Paris Club of sovereign borrowers and a buy-back deal secured with Moscow for a big tranche of Russian debt.

The worrying side of the economy is high unemployment and historically high poverty levels. These could help stir political discontent. But the improving economy has provided a helpful backdrop to the delicate task facing King Hussein of rebuilding international relations sorely damaged by the Gulf crisis.

A toughening of Jordan's policing of UN sanctions against Iraq earlier this year has solidified links with Washington. Cool relations with Egypt were warmed by a visit that the King paid to President Hosni Mubarak immediately after the Cairo earthquake in October. Next on the list that the King would like to visit is Saudi Arabia.

The King has also begun publicly to distance himself from the Iraqi regime of Saddam Hussein. In his FT interview, he did so in the plainest terms he has used so far. Speaking of his concern that Iraq may fragment, with consequences for the region "too horrible to imagine", he said:

"I would like to be absolutely clear that I am not, nor was I ever, ready to link Jordan, or myself, or my House to the possibility of an association with a group in power that might eventually go down in history as partially responsible, if not totally responsible, for the destruction of Iraq."

He called for "respect for human rights, pluralism, democracy" in Iraq. "There has to be change," he said.

Pluralism and democracy are the King's constant themes for Jordan also. In the past three years, he has allowed elections to the lower house of parliament, legalised political parties and promulgated a National Charter guaranteeing political freedoms, while upholding the supremacy of the monarchy.

The chief result has been a surge to prominence of Islamic fundamentalists who form the biggest parliamentary bloc. Tensions between the Palace and parliament have been highlighted recently by the trial of two Islamic MPs who this week were jailed for 20 years for plotting to overthrow the state with Iranian help.

Many see the case as a clear signal that the limits of democracy in Jordan will be tightly circumscribed by the King, particularly if the main beneficiaries are Moslem radicals. There may be seeds of discontent here which could grow into political problems. But the King insists: "I don't think anyone should worry. We are totally committed to democracy, to pluralism, to respect for human rights."

Most Jordanians see the King as the best guarantee the country has of stability; hence the concern over his health. In his television address, King Hussein stressed that continuity would prevail after his demise. His designated successor is his younger brother.

Crown Prince Hassan, 45, has long experience of state affairs. But concern about his ability to cope with pressure is widely expressed in private in Amman. "Constitutionally, it is not an issue," says a former prime minister. "Nor should it be. But people are talking."

Part of the uncertainty stems from the strains anticipated if there is a peace settlement with Israel. In that case, some kind of confederation with a Palestinian entity on the West Bank will have to be worked out. This is likely to cause difficulties both within the Palestinian community and between Palestinians and East Bank Jordanians.

By no means all Palestinians accept the idea of such a dual state being presided over ultimately by a Hashemite. Supporters of an Islamic republic also object. But very many Palestinians and probably the vast majority of Jordanians have come to regard King Hussein as being the only figure capable of ensuring stability both on the West and East Banks. Without him, there are fears for the outcome.

Mark Nicholson charts the recent surprise upturn in the Jordanian economy

Silver linings gleam through Gulf clouds

A STABLE Jordanian dinar, real gross domestic product (GDP) growth this year of at least 11 per cent and a finance minister gleefully expecting to meet the next set of International Monetary Fund adjustment strictures, having comfortably met most of the last?

These are among the indicators which testify to one of Jordan's biggest recent upturns – and to the kingdom's unexpected good fortune in finding silver linings to the black clouds which hung over the economy only two years ago. Quite by surprise, Jordan's economic policymakers find themselves worried these days not by how to engineer growth, but how to sustain it.

By the end of the war, Jordan had lost most of its biggest export markets in the Gulf and Iraq. It had been forced to suspend its IMF adjustment programme – itself forced by a severe foreign exchange crisis in 1989. It had lost almost all its traditional aid from Gulf countries and was required somehow to absorb about 300,000 returning Jordanians and Palestinians evicted by Kuwait – a 10 per cent rise in the country's population. Estimates of the war's cost to Jordan's tiny economy (GDP this year was $3.98bn) ranged from $1.7bn to $5bn.

But each setback, *in the* event, produced some countervailing benefit. Jordan's exporters, for example, were forced to seek fresh markets and, with surprising success, found them in Sudan, Yemen, Morocco, Tunisia, eastern Europe and even in the US.

The loss of about $400m in annual aid from the Gulf countries, withheld because of Jordan's pro-Iraqi tilt during the war, prompted Japan and numerous EC countries to pledge assistance which totalled $800m by the end of 1991. This in turn helped Jordan to build its foreign exchange reserves and meet the conditions of its second IMF programme – which in its turn *helped the country successfully* to reschedule $7.5bn of Paris Club debts.

As a bonus, tourism to Jordan is already skirting pre-Gulf war levels.

Most significant of all, however, has been the potent economic effect of Jordan's returnees. The breadwinners among them, 70,000 or so, essentially represent the professional and technical middle-class of Kuwait; they returned to Jordan with both skills and money. "It is the first time in Jordan's history we have had a huge influx of *rich* refugees," remarks a local businessman.

Repatriation of the returnees' savings poured about $1.5bn into Jordan's banking *system. As the cohort settled* (Mr Michel Marto, deputy governor of the central bank, estimates that 60 per cent have now been absorbed into the labour market), these funds began flowing into the economy, both through strong consumer demand and, most significantly, into the construction sector. Mr Marto estimates that the construction sector will account for about half of this year's real GDP growth.

Here lies the rub. Nothing indicates more clearly the one-off nature of the returnees' fillip to the economy than the proliferation of gleaming new limestone apartments and villas across Amman's nine hills, where 80 per cent *of the returnees* have settled.

The stimulus to the economy has taken its effect before the government has committed itself to the large infrastructural work which, it believes, the arrival of 300,000 more people will require. According to Mr Basel Jardaneh, the finance minister, this will demand at least $300m on telecommunications, $600m on power networks, $300-$400m on water supplies and additional spending on roads.

Mr Jardaneh is ruling out syndicated commercial loans, not least while Jordan has still to reach a rescheduling agreement with the London Club of commercial creditors over more than $1bn of debt. The kingdom will have to stay firmly on-side with the Paris Club – and thus firmly within IMF performance criteria. Mr Jardaneh says Jordan will be seeking an additional $300m from its donors in 1993.

He can point to an impressive record of meeting IMF targets. The budget deficit, which the IMF wanted to see fall from 17.9 per cent of gdp to 13.7 per cent, is down to 7 per cent; a figure helped by the bonus in customs duties on imports sucked in by returnees. He expects this to rise slightly to 8.5 per cent of gdp for 1993, still below an expected IMF target of 11 per cent.

But substantial problems remain. Not the least of these is unemployment, which the government estimates (conservatively, many believe) at just about 18.9 per cent. More seriously, poverty blights an estimated 24 per cent - familes living on an income of less than JD101 a month are reckoned below the poverty line. Three per cent are said to be living in "absolute poverty".

Any hope of creating jobs and hauling people out of poverty will rest on meeting the IMF's longer-term target of sustainable 4 per cent to 5 per cent growth – a target Jordan will have to reach very much on its own resources.

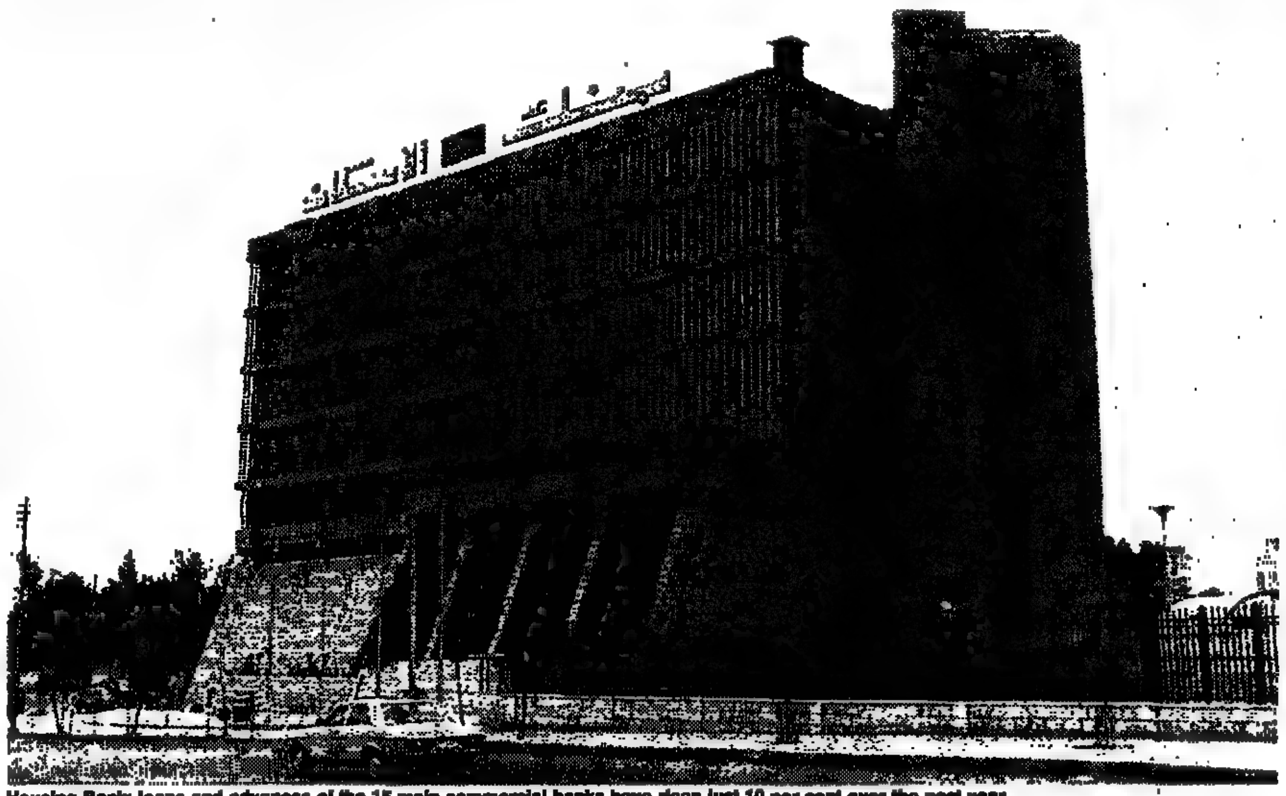
Another cost of the returned workers from Kuwait will be the fall in annual remittance income; before the Gulf war it used to average at least $400m.

Sustainable growth will depend, therefore, on Jordanians spending some of what bankers estimate to be savings, held both at home and overseas, of up to $7bn on productive and, preferably, manufacturing investment in Jordan.

Only then will the kingdom succeed in tearing its economic fortunes free of an historic dependence on the Gulf states. And even then, success will depend crucially on the outlook for peace with Jordan's immediate neighbours.

Banking and finance

Savings fly home



Housing Bank: loans and advances of the 15 main commercial banks have risen just 10 per cent over the past year

JORDAN'S returnees have given the kingdom's banks something akin to a course of financial steroids. As the estimated 300,000 returnees repatriated their savings, foreign currency deposits shot up to $3.2bn in July, against $1.4bn at the end of the Gulf war in February 1991.

This huge one-off boost pumped vigour into the banking system: total private sector deposits, excluding government and interbank deposits, rose 54 per cent in 1991, overall assets by June this year were up 58 per cent on 1989 at JD5.97bn and the average liquidity ratio of Jordan's commercial banks stood in June at 85.9 per cent, well over twice the 30 per cent legal minimum required by the central bank.

But what pleases the central bank most is that this huge influx has not translated itself into a burst of inflation which would have jeopardised Jordan's attempts to meet International Monetary Fund targets. The central bank estimates that inflation will fall this year to 5 or 6 per cent, after annual rates of 8.2 per cent and 16.1 per cent in 1991 and 1990.

In April last year, the bank imposed tight credit limits on Jordan's banks to prevent just such a burst, limiting private lending to 10 times a bank's capital and reserves, or to 60 per cent of its dinar deposits - the latter aimed at restricting banks' ability to lend on the back of the big rise in foreign currency deposits.

As a result of the strictures, loans and advances of the 15 main commercial banks have risen just 10 per cent over the past year, mostly to corporate customers. The greater part of bank's surplus holdings have found their way overseas, deposits with foreign banks being up 100 per cent in 1991 over 1990. Amid some signs that Jordan's economic boom was easing, the central bank removed the credit limits in October. The bank had earlier approved the reopening of foreign exchange houses in Jordan for the first time since the country's 68 exchange houses were closed en masse during Jordan's 1989 currency crisis, which saw the dinar devalued by around 45 per cent.

However, the dinar has been stable at around its present level for the past 30 or more months and the central bank's foreign currency reserves, worth JD979m in 1991, stand at more than twice their average level troughout the 1980s.

Mark Nicholson

The Amman stock exchange

The labour market

Returnees on the move

JORDAN'S labour market is in transition. According to Ministry of Labour figures, unemployment has risen sharply from 8.9 per cent in 1988 to 16.8 per cent then 18.9 per cent in 1990 and 1991 respectively. But some economists claim a more accurate figure is more than 30 per cent.

Jordan's traditional labour market in the Gulf has shrunk since the Gulf war and the status of the 300,000 returnees from Kuwait, of whom an estimated 59,000 are said still to be without jobs, remains largely unknown. Furthermore, with government statistics showing that 43 per cent of the population is under the age of 15, the future demand for jobs seems certain to outstrip supply for years to come.

Government officials talk of "creating the right atmosphere" for jobs and "allowing the market to find its own equilibrium". But few tangible policies are in evidence.

Apart from institutions such as the Vocational Training Corporation (VTC), which offers retraining for the unemployed, and the Development and Employment Fund (DEF, which offers low-interest loans for new businesses, the government has largely adopted a laisser faire approach to Jordan's labour market.

The most successful government initiative appears to be the DEF, which has allocated JD3.6m towards the establishment of 694 small businesses since it opened in March 1991. Dr Abdul-Ilah Abu-Ayyash, the its director, DEF has so far created 2,300 jobs.

Borrowers are given nine years to repay their loans, with a two year grace period. Some 67 per cent of the new entrepreneurs are graduates. Dr Abu-Ayyash says he aims to create 6,000 new jobs a year with the help of more government and overseas funds, including an EC grant.

But according to one official in the prime ministry, the root of Jordan's unemployment problem is in peoples' attitudes: "The social value of work needs updating," he says.

For one thing, Jordanians tend to reject low salaries and manual labour and are undercut in these areas by foreign workers. This is pertinently reflected in the astronomical rise - from 18,000 in 1991 to 92,000 in the first nine months of this year - in work permits issued by the Ministry of Labour to non-Jordanians (mainly Egyptians and Syrians) coinciding with the country's construction boom.

For another, the country's higher education system turns out thousands of graduates who tend to rely on finding work in government departments rather than in the private sector. An independent study of unemployment in Jordan by the Royal Scientific Society showed that by the end of 1991, 47.5 per cent of the unemployed interviewed were university or college graduates. Figures from the Civil Service Commission show that a total of 75,773 graduates applied for just 3,025 government posts by June 30 this year.

Meanwhile, a new draft labour law is to be presented to Parliament in December which is described by a Ministry of Labour official as "a modernisation of the relationship between employer and employee".

The legislation will include a minimum wage and a stipulated minimum working week, provisions for maternity leave and support for the disabled.

James Whittington

Mark Nicholson reviews export performance and prospects

Nimble traders on their toes in a troublesome corner of the world

GIVEN the mayhem wrought by the Gulf crisis on Jordan's export markets, the fact that the value of the kingdom's exports for 1991 shrank by just under 3 per cent to $879m is almost something to crow about.

What is more, by the end of this year, Jordan's exports look likely to reach or exceed pre-war levels, even though the kingdom still does not enjoy full access to its main local markets.

Exports to Iraq, historically Jordan's biggest trade partner, fell by 53 per cent in 1991, thanks mainly to the United Nations embargo which permits Jordan to export only food and medicines across its eastern border.

Worse, bankers and businessmen say trade has thinned further this year; a result of Iraq's shortage of foreign currency, partly fear among Iraqi traders after the execution earlier this year of 42 "profiteering" traders in Baghdad and the Iraqi government's decision recently to ban the import of more than 140 "luxury" items. Mr Basel Jardaneh, Jordan's finance minister, puts the cost of the lost Iraqi market at $100m a year.

Exports to the Gulf also tumbled after the political embargo imposed on Jordan by Saudi Arabia, in particular, as punishment for the Hashemite kingdom's Iraqi leanings in the Gulf crisis.

Trade with Saudi Arabia resumed only in November last year and remains at about 60 per cent of pre-war levels. A full political reconciliation between King Hussein and King Fahd is almost certainly the pre-requisite of resuming normal trade.

To compound matters, exports of phosphates – the country's biggest foreign exchange earner – were hit quite independently by a contraction of demand in eastern Europe, leaving the industry's exports down by 30 per cent on 1989 levels at $180m last year.

All this makes Jordan's ability to keep overall export earnings within sight of pre-war figures the more surprising. It comes, according to bankers and businessmen in Amman, of extreme nimbleness among Jordan's small-scale exporting industries in finding new markets. "The business community here is remarkably quick on its feet," says a local banker. "Businesses have been going as far as Sudan, Yemen and Tunisia with some success – they even seem to be getting paid."

Traders have also managed to find markets in Morocco, China, eastern Europe and, notably, Russia, with which trade rose by more than 60 per cent in 1991 and will rise further next year under the terms of Jordan's recent agreement to reschedule $750m of debt to the former Soviet Union. This includes an undertaking to supply $52m worth of Jordanian-made consumer goods which traders hope will give them a useful foothold in the market.

The onus on Jordan's export industries is considerable, given the country's historic appetite for imports, which include almost all its energy needs

Aside from phosphates and potash, Jordan's main exports comprise foodstuffs, exports of which were up 33 per cent to $117m in 1991, pharmaceuticals, paints, cosmetics and other light chemical products, clothing, textiles and locally assembled electronic goods.

But whatever success exporters enjoy *in replacing markets damaged by the* Gulf war will not be enough alone to guarantee the home-grown economic growth on which Jordan must depend, now that there can be no assurance that Gulf countries will resume their pre-war aid hand-outs.

Exporters will also have to cover the foreign exchange gap left by the return to Jordan of 300,000 returned workers from Kuwait, who will no longer be sending home monthly remittance cheques.

The onus on Jordan's export industries is considerable, given the country's historic appetite for imports, which include almost all its energy needs. Jordan's merchandise trade deficit in 1991 was $934m, and its current account surplus of $410m the result essentially of remittances rising to $796m because of repatriated savings.

Some of this burden will be taken by Jordan's heavy industries of phosphates, potash and fertilisers, which between them have traditionally accounted for around half of Jordan's exports by value and which in each case have substantial expansion plans in train. Mr Jardaneh estimates that these industries will be earning Jordan 80-100 per cent more than at present by 1995.

But sustainable growth will also depend on expanding Jordan's light industries. And with this in mind, the government is – belatedly in the view of many bankers and traders – acting on several fronts both to help exporters find markets and to encourage investment, *both domestic and inward*, in export industries.

An export credit guarantee agency is planned, and awaiting parliamentary approval before the year end. The trade ministry is also establishing a one-stop investment agency, meeting criticism that the government has so far done little to inform or ease the bureaucracy for potential inward investors. "I've never been able to find a single investment guide to Jordan," remarks one banker, who says there is nonetheless *strong interest in the country from*, among other sources, Cypriot clothing manufacturers.

The appeal for foreign investors lies essentially in Jordan's low-cost labour, with semi-skilled workers earning an average of around $100 a month and skilled workers between $150-$200.

But the disincentive, as ever, lies in Jordan's location in such a politically troublesome corner of the world. Many bankers and traders in Amman believe that there will be a substantial influx of foreign capital only when there is a comprehensive and durable regional peace between Israel and its neighbours.

The government is hoping, meanwhile, that Jordan's own entrepreneurs will invest in exporting industries – a habit which the greater part of the kingdom's investors have traditionally forsworn for the shorter-term, more liquid and thus safer, returns of the financial markets.

However, there are signs that some Jordanians believe the economy's recent buoyancy and the region's relative peace may last. Jordan's Investment Development Bank last year approved loans worth $30m – a threefold rise on its 1989 commitments. Also, 821 new industrial projects were registered with the ministry of trade and industry last year, against 451 in 1990. Proposed capital for these projects is $140m, against $87m in 1990.

The test will be in the commitment of that money. And the test of that perhaps lies in Washington, with the participants in the Middle East peace talks.

A Moslem fundamentalist, wearing glasses on top of her black veil, stands in a crowd of women at a political rally in Amman

Fundamentalists dominate parliament, writes **Hugh Carnegy**

The genie leaves the bottle

MORE than most Arab states, Jordan has let the much-feared genie of Islamic fundamentalism out of the political bottle.

Since 1989, when the first legislative elections were held for more than two decades, parliament has been dominated by members identified with the Islamic movement. Their successes have brought *ministerial appointments*, albeit in relatively lowly posts.

But while gradual democratisation is the avowed aim of King Hussein, he has been careful to keep a tight rein on the process to ensure that the country does not fall into the hands of the Islamicists or, as it almost did in 1970, Palestinian radicals.

The clearest sign of this *came in recent months* with the trial in the military state security court of two Islamic fundamentalist members of parliament. Mr Leith Shbeilat and Sheikh Ya'akub Qarrash were accused on capital charges with two other men of plotting with Iranian help to overthrow the regime. Both men received 20-year jail sentences earlier this week.

Mr Shbeilat, perhaps the most popular and articulate MP, shot to national prominence as a result of the liberalisation that led to the 1989 elections. He was one of the Islamicists, most of them associated with the Moslem Brotherhood, who won 22 of the 80 seats in the House of Representatives, *the lower house of parliament*.

Unlike in 1989, when no organised groups were allowed to contest the election, political parties will be permitted to take part in new elections next year under a law which took effect only last month.

But of the half-dozen secular parties which have so far applied to register, none *reflects a cohesive ideology* or group that looks capable of attracting mass support. Because of this, and because the Islamicists attract heavy support from the under-represented Palestinian community, the so-called Islamic Action Front is widely expected to win at least 30 seats.

This would appear to put the fundamentalist camp on course for even greater influence. But talk of an Islamic revolution is not much heard in Amman.

"They have no way to convert Jordan into an Islamic state," says Dr Jamal Sha'er, a prominent physician-politician. "I don't believe they are a threat to the parliamentary system. They can be contained within it."

One reason lies in the popularity of the King himself, who is now seen as a bulwark against instability and is, after all, a direct descendant of the Prophet.

A second reason lies in the structure of the system. In the Jordanian parliament, 18 lower house seats are reserved for Christians, Circassians and Bedouin. The *40-seat* upper house, the Senate, is appointed by the King. Any change in the constitution requires a two-thirds majority of both houses together.

A national charter published by King Hussein in 1991 enshrined the principle of political freedom. But it also underscored the ultimate power of the monarchy. A senior foreign diplomat said the coming years will test whether "parliament will evolve from a body that lets off steam, or will increasingly take power from the palace."

Many among Jordan's emerging breed of politicians – Islamicists and secularists alike – saw the trial of Mr *Shbeilat* and *his colleagues as* an ominous shot across the bows of parliament, whatever the outcome. "There is a struggle going on. The implications for democracy are very serious," said one senior MP.

King Hussein insists on his commitment to "democracy, pluralism and respect for human rights".

But he also stresses his determination *that* Jordan should not become a "battleground" for outside forces; a reference to Palestinian and other Arab nationalist forces as well as Iranian-inspired fundamentalism. The King wants a dose of democracy rare in the Middle East – but he does not want a European-style constitutional monarchy as yet.

In Middle East peace moves, Jordan must face both ways

'One family' under strain

JORDAN'S role in Middle East peace negotiations has a double aspect which makes the country a pivotal player.

Not only must it hammer out a settlement on its own account with its neighbour Israel; it is also inextricably involved in the question of how to resolve the core dispute between Israel and the Palestinians.

From 1948 until the 1967 Six Day War, Jordan ruled the West Bank and east Jerusalem, including the Old City, which, with the Gaza Strip, are the areas the Palestinians and their Arab backers envisage, as they bend their efforts towards making up a future Palestinian state.

King Hussein renounced Jordan's claim to the West Bank and Jerusalem in 1988, ostensibly clearing the way for the Palestine Liberation Organisation to push ahead unhindered with its quest for a fully independent Palestinian nation.

But now, faced with the economic and political difficulties such a putative state would face, and the opposition to its creation still voiced by Israel, the Palestinians themselves are looking to forge a new relationship with Amman based on some kind of confederation.

In effect, therefore, Jordan must not only negotiate with Israel, but also work out a deal with the Palestinians which would allow the central pieces of an Arab-Israeli settlement to fall into place.

Jordan is treading cautiously along this second track, afraid of putting the cart of a future Jordanian-Palestinian relationship ahead of the horse of an Israeli-Palestinian agreement.

But it accepted the inevitability of such a link in effect when it agreed that there should be a joint Jordanian-Palestinian delegation to the peace talks when they opened in Madrid a year ago.

For the time being, however, the two parties are in practice negotiating separately with Israel.

The Palestinians are struggling to achieve terms for an interim period of self-government that would precede a final settlement in which the nature of a Palestinian-Jordanian relationship would have to be worked out.

In the latest round of talks last month – the seventh since Madrid – Jordan and Israel drew up a draft agenda on how to proceed to a full peace accord. In itself something of a breakthrough, the agenda envisages reaching a full peace treaty, renouncing the use of force.

To get there, the most important issues to resolve are Jordan's claims to some 400 sq km of territory, mainly along the Wadi Araba frontier south of the Dead Sea, the fate of the Palestinian refugees that Jordan has taken in since 1948 and the sharing of water resources.

By themselves, none of these should be too difficult to overcome. But the Jordanians are committed not to sign a treaty with Israel unless there is parallel progress between Israel and the other Arab parties, including the Palestinians.

Meanwhile, the PLO has pushed for the issue of a Jordanian-Palestinian confederation to be considered sooner rather than later.

Senior members of Fatah, the mainstream PLO faction led by Mr Yasser Arafat, the organisation's chairman, admit *privately that they are anxious to* preempt possible violent opposition to an interim agreement with Israel from radical Palestinian groups, such as Hamas, the Islamic fundamentalist organisation. They see a firm link with the stable figure of King Hussein and his security forces as a way to achieve this.

Jordan is not against the idea. King Hussein says the Jordanian-Palestinian relationship is bound to be close. "We are members of one family," he is fond of saying.

But he is hesitant. On the one hand, the King does not want to arouse suspicions among many Palestinians that his long-held ambition is to bring them fully under his rule.

On the other hand, so-called East Bankers – that is, the 40 per cent of the population of Jordanians who do not originally come from west of the Jordan River - fear being swallowed in a joint state which would have a heavy Palestinian majority. King Hussein and his army fought a bloody war against the PLO in "Black September" 1970 when he feared the PLO was threatening to take over Jordan and unseat him.

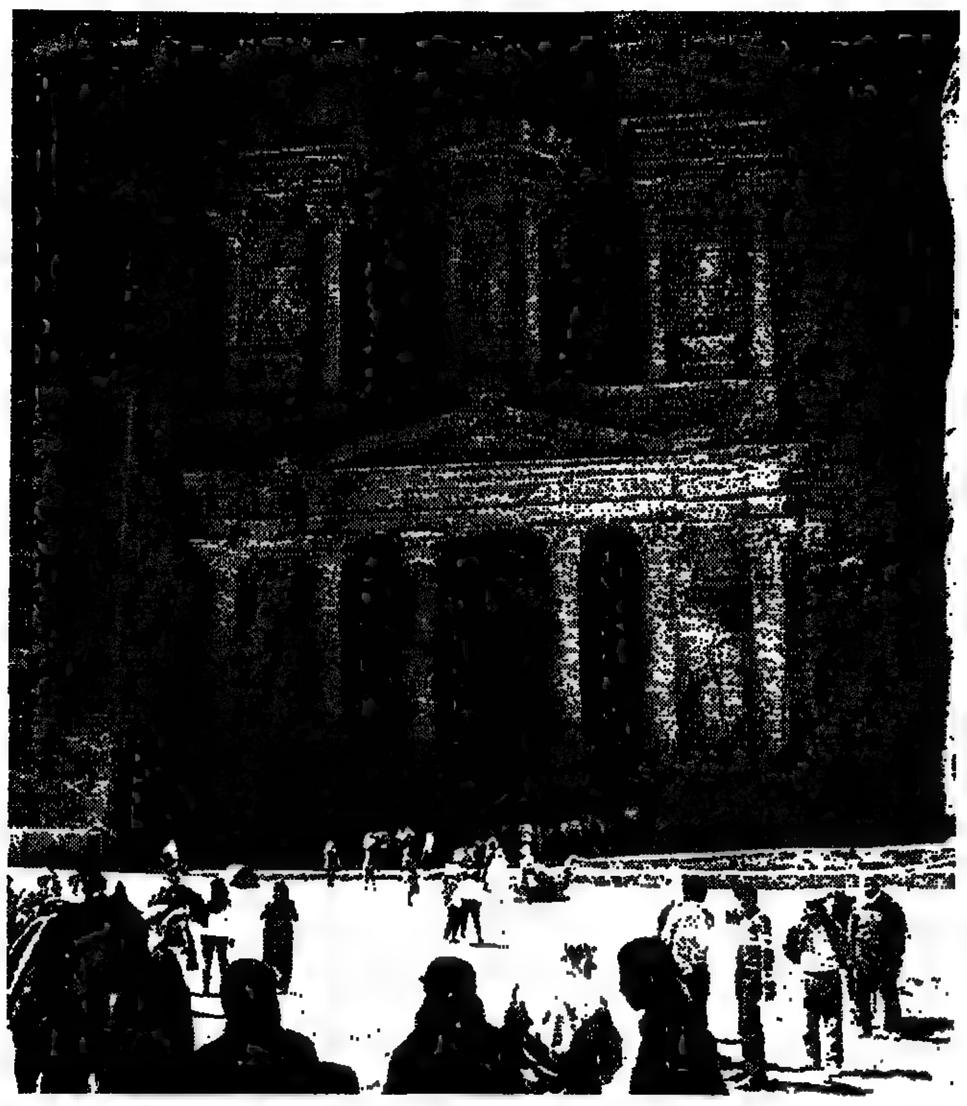
At present, East Bankers dominate the 150,000-strong armed forces and the equivalent-sized bureaucracy. Only two out of 29 ministers are Palestinian.

Jordanians fear losing their big stake in the state – fears that were exacerbated by the influx of 300,000 Palestinians from Kuwait and the Gulf over the past year.

"The ties between the two people are so interwoven it is impossible to tear the fabric," says Mr Kemal Abu Jabbar, the foreign minister. "But I honestly don't believe this is the time to negotiate. When the Israelis withdraw, when there is a Palestinian entity, when it is clear what the Palestinian jurisdiction is – then we can start to talk of our future relationship."

Hugh Carnegy

Jordanian women and children protest against Israel's presence in the Arab occupied territories



The Treasury is one of the most impressive monuments in the Nabataean city of Petra

The untapped tourist potential presents a delicate problem

Culture worth more than camels

WADI RUM, the place where T.E.Lawrence and the Arab rebels he was riding with in 1917 were stunned into silence by the "stupendous" surroundings, must rank among the world's most impressive desert landscapes.

Yet over a period of four hours on a late October day, when the worst of the broiling summer heat has faded, not many more than 50 visitors arrived at the little Bedouin settlement and picturesque "Beau Geste" police post which serve as the departure point for journeys by camel or four-wheel drive vehicles into the sandy-floored Wadi.

More come by bus in the late afternoon to watch the sun set over the great brown fractured cliffsides towering over either side of the valley. But the Wadi – about 50km as the crow flies north east of the Red Sea port of Aqaba – remains remarkably little tainted by the tramp of tourist masses.

So it is at most of Jordan's rich tourist attractions. At the most famous of all, the extraordinary rock-cut Nabataean city of Petra, south east of the Dead Sea, visitor accommodation is still limited to just 400 beds. On the Dead Sea itself, where the minerals in the water and the atmospheric conditions provide relief for many skin and other ailments, there is only one hotel.

Elsewhere, from the beautifully preserved Roman city of Jerash, north of Amman, to evocative crusader castles such as Kerak, the story is the same: few tourist facilities, and relatively few tourists.

The government in Amman is well aware of the untapped tourist potential in the country. It is working to develop the local industry, worried about being left behind by its neighbours, Egypt, Israel and even the well-oiled Palestinian tour operators in Israeli-occupied East Jerusalem and the West Bank.

But the authorities are faced with a delicate task. Much of the attraction of Jordan lies in the unspoilt nature of its sites. To increase volume too much and too fast could easily be to kill the goose that laid the golden egg.

This year, tourists have returned to Jordan in large numbers following the 1991 slump induced by the Gulf war – as they have done throughout the east Mediterranean area. Officials say the volume will match the 1989 peak of 880,000 visitors, reaffirming tourism's place as the country's second-biggest earning industry. Gross earnings of some $600m in 1989 accounted for 17 per cent of gross national product.

But Mr Yanal Hikmat, the minister of tourism, says he is anxious to avoid expanding into the mass market. "I have always wanted to raise Jordan above the level of the belly dancers and camel caravans to a more cultural and educational type of tourism. I think we would be satisfied with 1m visitors a year by the year 2000, well catered for and well serviced."

His senior official in the ministry, Mr Nasri Attallah, echoes this. "Our success lies in simplicity. Our sites are untouched, they have mystery, they are uncrowded. Local people still mix with tourists. We very much want to preserve that."

Certainly, visitors have up to now benefited from the relative lack of crowds – and welcome features such as fixed prices for horse and camel rides at Petra and Wadi Rum that contrast with the chaotic rip-offs endemic to the tourist industry in Egypt.

But the best intentions may be swept away by fast-growing demand and the need to keep up with neighbouring competitors. This will be particularly true if Middle East peace negotiations eventually yield open borders for tourists. The prospect of Jordan becoming little more than a day trip for visitors from Israel, Palestine and even Egypt is real and worrying.

Petra, for example, would be easily accessible to day trips from the Israeli Red Sea resort of Eilat and the neighbouring Egyptian resort of Taba. Both at present have hotel facilities far more sophisticated than Jordan's Aqaba, also on the same strip of coast.

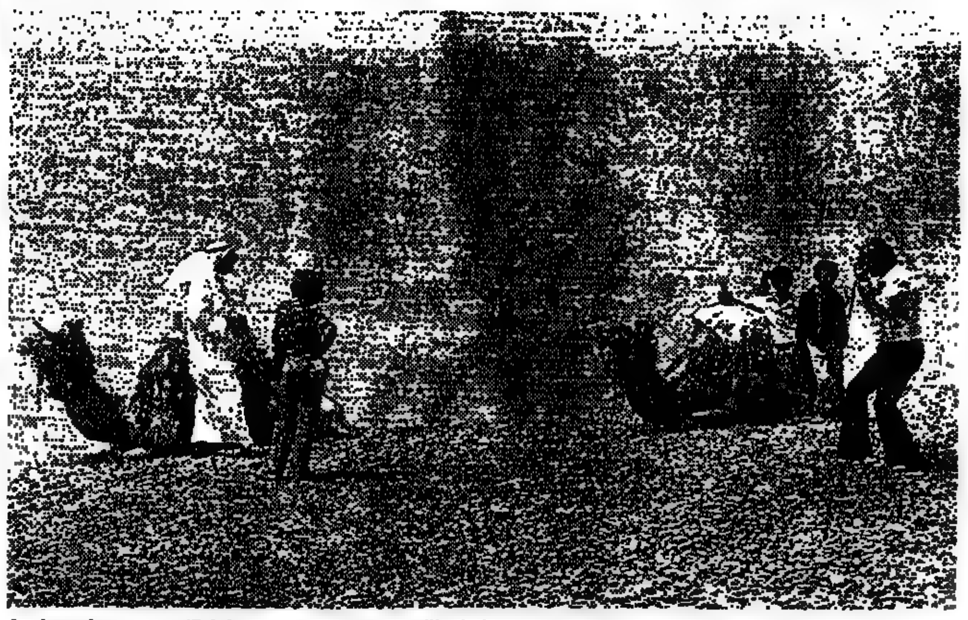
"I want to make sure these people stay in Jordan at least two nights and do not just pass by in one day," says Mr Hikmat. His overall intention is to extend the average stay in Jordan beyond the present five to six nights.

To achieve that, Jordan must have the accommodation to compete. So it is looking to the private sector to invest, providing incentives such as easy terms for land acquisition and duty free imports. Two new privately-built hotels will open in Petra next year, doubling local bed capacity. (A further doubling is planned by 1995.)

But this quickly raises the tricky question of preserving the remoteness of such sites – which gives them so much of their cachet now. Already the authorities are considering whether to limit passage into Petra through the famed "siq", or narrow defile, to entry only, leading visitors out by an alternative route.

As Mr Attallah says, Jordan's problem is to expand tourism while wearing "kid gloves".

Hugh Carnegy



Aqaba, where port officials are confident they will win back the Iraqi trade immediately sanctions are lifted

Aqaba port needs UN sanctions against Iraq to end

No bridging the gulf

AT AQABA on the Red Sea, Jordan's only sea port, the gates to the oil terminal are kept chained shut.

The jetty is deserted most of the time. Inside the administration building, a few officials while away the time drinking sweet tea and pondering one question above all others: when will UN sanctions against Iraq be lifted?

Two years since the onset of the Gulf crisis, Aqaba Port is still suffering gravely from the lack of transit trade from Iraq it thrived upon in the 1980s.

This year, total cargo handled at Aqaba will be about 14m tonnes. In 1988, it was more than 20m; the missing 6m tonnes accounted for almost entirely by the loss of Iraqi business.

Last year, transit container volume collapsed to less than 10,000 tonnes from almost 240,000 a year before Iraq invaded Kuwait.

Quite apart from the wider impact on the Jordanian economy of the loss of this trade,

The port is operating at only 60 per cent of capacity. Annual revenues are down to less than 30m Jordanian dinars

Aqaba itself is struggling to make ends meet until the unknown day when sanctions will end.

The authorities invested heavily in the port in the 1980s to handle ballooning demand from Iraq when Baghdad's Gulf outlets were blocked by war with Iran.

The 300,000 tonne per month oil jetty, now idle, was built; so was a new industrial port and a $3m communications centre. Two heavy-duty 3,200 horse-power tugboats were bought. A slipway was constructed to bring some cargoes ashore by barge.

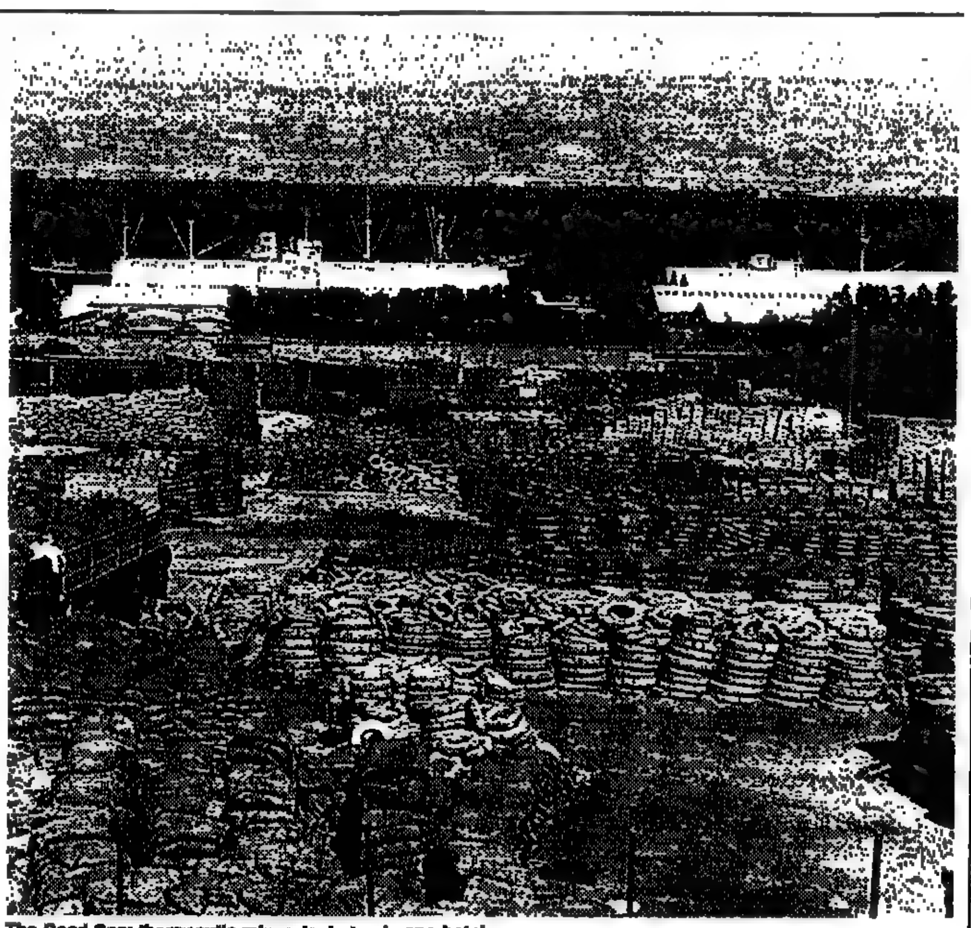
Now the port is operating at only 60 per cent of capacity. Annual revenues are down to less than 30m Jordanian dinars from JD40m. Though there are still 2,600 port employees, hundreds of workers previously employed on a daily-hire basis are no longer needed.

There are other costs as well. Ships coming into Aqaba with cargoes for Jordan and other transit destinations, such as Syria, are subject to inspection by naval ships in the Red Sea, policing the sanctions.

Operators have upped charges by $1,000 per 40 ft container, to take account of the interference which causes delays and means lighter loads to allow easy inspection.

Port officials are confident they will win back the Iraqi trade immediately sanctions are lifted. "The sanctions will not be for ever," says Mr Ibrahim Tayyan, chief of the port's development programme. "So we are planning always to expand." For now, however, the reality in Aqaba is expensive contraction.

Hugh Carnegy



The Dead Sea: therapeutic minerals, but only one hotel

A phosphate mine at Ruseifa

James Whittington notes problems in the phosphate trade

Exporters look further east

THOUGH phosphate exports have fallen by 33 per cent in the past three years, slashing Jordan Phosphate Mines Company (JPMC) profits from a record 109m Jordanian dinars in 1989 to just JD33.1m in 1991, the company is still the world's third biggest phosphate exporter. "Phosphate remains the oil of Jordan," says Mr Thabet Taher, the state-run JPMC's newly-appointed general manager.

The boon to JPMC offered by Jordan's 45 per cent devaluation in 1989 was shortlived as the company's traditional eastern European markets collapsed.

In the late 1980s, eastern European countries bought more than 30 per cent of Jordan's phosphate exports. But these countries' shortage of hard currency, combined with ambiguity in some of them over who actually owned previously state-run phosphate processing plants, cut Jordan's exports in 1991 to 0.58m tonnes, from 2.3m tonnes in 1989.

To make matters worse, this decline coincided with the Gulf crisis and the disruption caused by United Nations-backed inspections of all vessels entering Jordan's only port, Aqaba.

These factors contributed to a fall in the company's total phosphate exports to 4.2m tonnes in 1991 from 6.4m tonnes in 1989. And this year shows little sign of improvement. Just 3.12m tonnes have been shipped in the first nine months of 1992.

However, the downward trend is by no means unique to Jordan. The International Fertiliser Industry Association (IFA) reports that world phosphate exports fell by 29 per cent between 1989 and 1991 and the group forecasts that no substantial recovery is likely before the end of the century.

The JPMC's response to the prospect of tighter markets has been to shift trade towards Asia and develop a strategy to raise production of phosphate-based fertilisers in co-operation with its trading partners.

Contracts with India, for example, have partly replaced already the void left by eastern Europe. Last year Jordan shipped 1.3m tonnes of phosphate to India and contracts for 1.6m tonnes have been signed for 1992 – making it the biggest importer of Jordanian phosphate.

Towards the end of 1991, JPMC signed a $100m joint venture with India's Southern Petrochemicals Corporation to produce an annual 200,000 tonnes of phosphoric acid for the Indian market. A new processing plant, which will be 60 per cent owned by the Indian company and 40 per cent by JPMC, will be opened in 1995 at Shideya, southern Jordan.

This site, the most recent of the JPMC's three mines, started operations in 1988 and has 790m tonnes of confirmed quality phosphate reserves – some 83 per cent of Jordan's total known reserves.

A similar deal was finalised earlier this year with a Mitsubishi-led consortium of four Japanese companies which will take a 60 per cent share in a $360m compound fertiliser plant, also planned to open in 1995, with JPMC and the Jordan-based Arab Potash Company (APC) each taking a 20 per cent share.

Mr Taher sees the future lying in such joint ventures. "Countries now prefer to import finished products rather than raw phosphate," he says. "It is cheaper and less damaging to their environment."

Mr Kazuhiko Sakishima, general manager of the Mitsubishi Corporation's Amman branch and liaison officer between JPMC and the Japanese consortium, says that the plant to be built in Aqaba will produce 300,000 tonnes of fertiliser for Japan, or about 10 per cent of its entire consumption.

Both joint ventures will be built on "duty-free" zones in Jordan, which offer investors tax exemption on profits, exemption from duty on imported machinery and a holiday from income of property tax for up to 12 years.

APC, which is Jordan's second biggest exporter, has meanwhile emerged largely unaffected by the geopolitical shocks of the past three years and saw sales rise to $150m in 1991 from $130m the previous year.

Miss Miranda Batshon, APC's marketing manager, says the company has profited from a rise in demand from its Far Eastern markets, particularly China, which raised its demand last year for Jordanian potash by 47 per cent.

As well as holding a 20 per cent share in the Jordan-Japanese fertiliser plant in Aqaba, APC has begun a two-phase plan to raise annual production to 2.2m tonnes from the present 1.4m tonnes a year by the end of the century.

Mr Taher says Jordan's phosphates production will rise to 9.6m tonnes by 2000.

LONDON STOCK EXCHANGE

Interest rate nerves unsettle equities

By Terry Byland, UK Stock Market Editor

CONFIDENCE in prospects for an encouraging autumn economic statement today from Mr Norman Lamont, the UK chancellor of the exchequer, suddenly receded in the UK stock market yesterday afternoon. Share prices, which had been effectively treading water while awaiting today's statement, turned down smartly towards the close of business, driving the FT-SE Index below the 2,700 mark at which the market has been struggling to hold.

Investors' doubts appeared to focus on the cut in base rates which the stock market has virtually built into its previews of the chancellor's statement. Suggestions that the base rate reduction would be only half a point, in sharp contrast with the two-point reduction called for this week by the Confederation of British Industry, circulated in the City's financial markets.

With Wall Street at only half speed in the new session because of Veterans Day, London marketmakers reduced share quotations smartly. By the close, the FT-SE Index had increased its earlier loss of around 7 points to 17.8 for a final reading of 2,696.8.

While there seemed little substance behind the sudden rumours of base rate cuts of only a half of one per cent, equity strategists sounded more cautious than earlier in the week.

At Strauss Turnbull, Mr Ian Harnett commented that it could prove difficult for the Autumn economic statement "to deliver both what the equity market wants – growth prospects – and what the gilt-edged market wants – tight fiscal policy." He expects the stock market to concentrate on the estimate for the Public Sector Borrowing requirement for 1993-1994.

The strategy team at Goldman Sachs believes that the Autumn statement will have short-term impact on relative sector performance, but for the medium-term throws the emphasis back on to the utility sectors, underpinned by their yield attractions.

Mr Robin Aspinall at Panmure Gordon was another to warn that investors might face "some disappointment or confusion" today. The base rate reduction may not arrive until Monday and the economic stimulus may turn out to be of modest proportions, he commented.

The session opened brightly, with the Footsie adding six points within the first hour of Seaq trading. But an easier trend in the US dollar and the closure of some European markets took the strength out of the international blue chips and domestic stocks soon followed suit. However, trading volume was light and shares drifted down without seeing selling pressure until the setback at the very end of the day.

Seaq volume fell to 555.7m shares from the 615.8m of the previous session: Tuesday's retail business remained satisfactory from the traders' point of view, recording a money value of £1.1bn.

Among the firmer sectors, the UK water industry stocks responded favourably to the regulatory statement on dividend policies. Shares in Cable & Wireless advanced strongly after announcing an important link-up with BCE of Canada.

But retail and consumer stocks, the immediate beneficiaries from cuts in interest rates, hung fire as investors settled down to wait for today's economic statement.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	9	473	+20	Comm. Union	2,200	568	−12	Lonrho	488	72	−1	Shell Transport	6,700	597	−2
ASDA Group	21,000	47¾	+½	Cookson	1,400	187	+½	Lucas	5,400	120	+3	Siebe	495	543	+2
Abbey National	4,700	346	−3	Courtaulds	424	503	+4	MB Caradon	1,000	277	+9	Slough Ests	140	137	−1
Albert Fisher	5,300	45	+1	Dalgety	634	468	+5	MEPC	1,200	344	+8	Smith (W.H.) A	712	485	−1
Allied-Lyons	788	626	−7	De La Rue	565	640	−6	Manweb	731	468	+9	Smith & Nephew	2,000	154	−4
Amstrad	100	28		Dixons	2,400	232	−4	Marks & Spencer	2,800	326	−3	SmKl Beecham	1,800	514	−3
Anglian Water	1,200	494	+15	Eastern Elec.	626	396	−5	Midlands Elec.	368	458	−3	SmKl Beecham Uts	2,300	453	−6
Argos	100	272	+3	East Midland Elec.	716	405	−6	NFC	508	269	−3	Smiths Inds.	296	318	+6
Argyll Group	3,100	370	+2	Eng China Clays	959	442	−9	NatWest Bank	5,800	389	−12	Southern Elec.	1,200	416	−12
Arjo Wiggins	385	168		Enterprise Oil	921	447	−1	National Power	3,100	206	−1	South Wales Elec.	92	505	+3
Ass. Brit. Foods	237	421	−14	Eurotunnel Units	22	353		Next	510	124½	+½	South West Water	384	518	+6
Ass. Brit. Ports	638	313	+8	FKI	587	82	−1	North West Water	687	508	+9	South West. Elec.	25	442	−3
[illegible]				[illegible]				[illegible]				[illegible]			
Brit. Aerospace	1,100	109	−5	BAA	174	221		Rolls Royce	6,800	111	−4	Utd. Newspapers	579	453	−7
British Airways	1,000	289	−4	ICI	1,100	1041	−7	Rothmans	1,200	595	−18	Vodafone	2,500	380	−7
British Gas	6,400	272½	−2½	Inchcape	1,600	489	+4	Ryl Bk Scotland	3,200	183	−6	Warburg (SG)	568	477	−2
British Land	488	185		Kingfisher	1,000	558	−8	Royal Insurance	1,300	203	−2	Wellcome	1,300	978	−8
British Steel	5,400	61½	−1	Kwik Save	245	720		Saatchi	305	168	−1	Welsh Water	247	538	+3
Bunzl	38	163	−1	Ladbroke	3,005	187	+6	Sainsbury	3,800	479	−13	Wessex Water	598	600	+4
Burmah Castrol	84	663½	−2½	Land Securities	3,400	417	−8	Scottish & New.	1,000	492	−1	Whitbread 'A'	1,000	442	−7
Burton	3,800	44	−½	Laporte	187	612	+8	Scot. Hydro-Elect.	1,800	235	+7	Williams Hldgs.	553	291	+3
Cable & Wire.	7,700	658	+9	Legal & General	694	480	−8	Scottish Power	2,800	215	+7	Willis Corroon	1,200	197	−8
Cadbury Schweppes	1,300	465	+5	Lloyds Abbey	526	373	+3	Sears	2,100	91	−1	Wimpey	445	102	−2
Calor Group	2,700	225	−3	Lloyds Bank	1,500	484	−11	Sedgwick	1,800	165		Wolseley	415	400	−11
Carlton Comms.	430	709	−1	LASMO	16,000	160½	+5½	Seaboard	117	442	−4	Yorkshire Elect.	410	489	−1
Coats Viyella	3,300	212	+3	London Elect.	679	436	−8	Severn Trent Water	2,100	486	+4	Yorkshire Water	533	540	+9

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Nov 2	Nov 16	Nov 30
Option Declarations:		
Nov 12	Nov 26	Dec 10
Last Dealings:		
Nov 13	Nov 27	Dec 11
Account Day:		
Nov 23	Dec 7	Dec 21

*New time dealings may take place from 8.30am two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2696.8 -17.8	2590.5 -2.8	1276.13 -6.76

	Nov 11	Nov 10	Nov 9	Nov 6	Nov 5	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2696.8	2714.6	2695.4	2702.7	2711.1	2561.6	2737.8	2281.0	2737.8 11/5/92	986.9 23/7/84
FT-SE Mid 250	2590.5	2593.3	2580.4	2579.0	2572.2	2520.7	2825.0	2157.9	2825.0 20/5/92	1379.4 21/1/86
FT-SE-A 350	1303.3	1310.5	1301.7	1304.4	1307.0	1244.6	1342.7	1103.1	1342.7 11/5/92	664.5 14/1/86

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2719.0	2711.3	2717.6	2714.4	2711.5	2710.5	2710.3	2708.9	2696.8	2720.7	2695.5
FT-SE Mid 250	2595.7	2595.1	2599.1	2597.4	2596.7	2596.1	2596.1	2595.9	2590.8	2600.9	2590.5
FT-SE-A 350	1312.5	1309.4	1312.2	1310.6	1309.6	1309.1	1309.1	1308.5	1303.3	1313.2	1302.8

Gross dividend yield (ACT at 25%) FT-SE 100:4.47 %

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section	Wednesday November 11 1992: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Nov 10 Index No.	Mon Nov 9 Index No.	Fri Nov 6 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (174)	780.33	−0.4	7.28	5.61	17.90	29.41	783.14	780.34	782.33	796.74
2 Building Materials (23)	791.73	−1.0	6.61	6.90	21.44	35.72	799.38	788.91	777.60	980.82
3 Contracting, Construction (26)	[illegible]									
4 Electricals (9)	[illegible]									
5 Electronics (27)	[illegible]									
6 Engineering-Aerospace (6)	[illegible]									
7 Engineering-General (43)	[illegible]									
8 Metals and Metal Forming (7)	[illegible]									
9 Motors (15)	[illegible]									
10 Other Industrials (18)	[illegible]									
21 CONSUMER GROUP (192)	[illegible]									
22 Brewers and Distillers (25)	[illegible]									
25 Food Manufacturing (19)	[illegible]									
26 Food Retailing (18)	[illegible]									
27 Health and Household (26)	[illegible]									
29 Hotels and Leisure (18)	[illegible]									
30 Media (27)	[illegible]									
31 Packaging, Paper & Printing (17)	[illegible]									
34 Stores (33)	[illegible]									
35 Textiles (9)	[illegible]									
40 OTHER GROUPS (116)	[illegible]									
41 Business Services (18)	[illegible]									
42 Chemicals (22)	[illegible]									
43 Conglomerates (10)	[illegible]									
44 Transport (13)	[illegible]									
45 Electricity (16)	[illegible]									
46 Telephone Networks (4)	[illegible]									
47 Water (11)	[illegible]									
48 Miscellaneous (22)	[illegible]									
49 INDUSTRIAL GROUP (482)	[illegible]									
51 Oil & Gas (18)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (83)	[illegible]									
62 Banks (9)	[illegible]									
65 Insurance (Life) (6)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (10)	[illegible]									
68 Merchant Banks (7)	[illegible]									
69 Property (30)	[illegible]									
70 Other Financial (14)	[illegible]									
71 Investment Trusts (70)	[illegible]									
99 ALL-SHARE INDEX (653)	[illegible]									

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	[illegible]											−16.4
Health&Hl	[illegible]											−15.9
Water	[illegible]											+23.9
Banks	[illegible]											−18.5

[illegible]

Utility sectors switch

UTILITIES attracted exceptionally heavy trading, with the regional electricity (recs) and water stocks chased higher during the early part of the session before the former came off sharply after Hoare Govett recommended a switch from the recs to water shares.

The latter maintained Tuesday's late upsurge and closed with sharp gains across the board as analysts adopted the view that the latest Ofwat consultative paper contained nothing untoward for the sector. "Institutions are looking for dividend growth and security and the water sector delivers on both of these categories," said one specialist.

The market also responded to the relatively good figures released on Tuesday by Anglian Water, which showed profits at the very top end of expectations and a satisfactory 7.8 per cent increase in the interim payment.

Anglian, Hoare Govett's prime selection in the sector, ran up 15 to 494p, while Northumbrian advanced 19 to 562p, Southern 14 to 476p and Thames 9 to 512p.

The recs were broadly lower after Hoare's switch recommendation, which impacted mostly on Southern Electricity. The latter settled 12 off at 416p after shifting its ex-dividend date from November 30 to January 1, a move which prompted substantial selling by income funds.

The Scottish generators were heavily bought, with BZW said to have emphasised their immunity from the Heseltine energy review and their attraction following the expected British Coal deal. Scottish Hydro-Electric and Scottish Power added 7 apiece at 235p and 215p respectively.

Glaxo easier

Two large lines of stock on offer contributed to weakness in Glaxo, which was also marked down ahead of figures from Swedish pharmaceutical company Astra. The Astra figures were expected to show an improved performance from anti-ulcer drug Losec, which would suggest erosion of Glaxo's key product Zantac. In the event they were strong but in line with forecasts.

However, there was pressure from the two blocks, of around 1m Glaxo shares apiece, that were being sold at the bid price of 812p. Although the stock did not recover its early fall, it held against a sliding market and closed 13 down at 813p with 5.4m traded.

Coats supported

Textile group Coats Viyella was firm as analysts returned from a company visit to the US in enthusiastic spirits. The shares picked up 3 to 212p, with BZW and UBS Phillips & Drew reinforcing their buy stance on the stock.

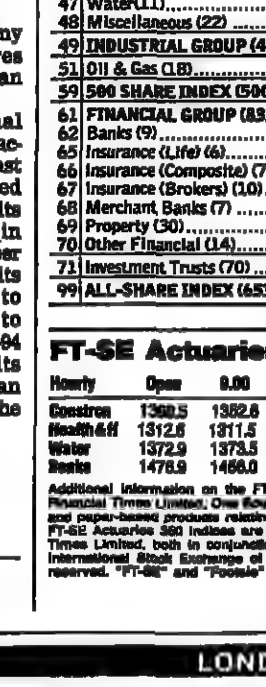
Ms Julia Blake, BZW's textile analyst said: "There was considerable reassurance in terms of forecasts and the strategy and speed of the integration with Tootal. It was good solid stuff which settled people's nerves." However, she cautioned that after running up on currency benefits and the US visit the shares were nearing the top of their trading range.

The placing of 80m new shares in HSBC Holdings, raising some £480m, was said by dealers to have gone smoothly, with all the shares taken up "within minutes" and the whole issue substantially oversubscribed.

HSBC shares opened higher at 570p but came off sharply to trade at 560p as the placing got under way, before stabilising and then moving up again to close a net 4 firmer at 565p.

The big placing of HSBC shares triggered wholesale selling of the other UK banks to enable institutions to pick up cheap stock in HSBC. NatWest dropped 12 to 389p on turnover of 5.2m and Barclays 8 to 360p, while Lloyds lost 11 to 484p.

Merchant bank Hambros emulated S.G. Warburg in reporting disappointing interim figures. Hambros shares fell sharply, touching 224p, before rallying after what was described as a positive post-results meeting with analysts to end the session 9 off at 235p. Kleinwort Benson dipped 5 to 289p with turnover boosted by an agency cross of 585,000 shares at 285p.



Shares in the London discount houses burst into life as dealers anticipated a cut in UK interest rates of a full percentage point. The sector was additionally boosted by the encouraging statement from King & Shaxson, one of the smallest of the discount houses.

K & S increased its interim dividend by 60 per cent and reported that in the half-year to end-October it had made "excellent profits", as opposed to a small profit in the same period last year, deriving great benefit from falling interest rates. The stock jumped 32 per cent, closing 21 ahead at 87p.

Cater Allen, scheduled to announce interims on November 19, advanced 22 to 370p, Gerrard & National 10 to 339p and Union Discount 7 to 61p.

The absence of the much rumoured bearish news on Lasmo saw the market shrug off the effects of the recent spate of bear raids and lift Lasmo shares 5½ to 160½p.

Turnover in the stock expanded strongly, eventually reaching a massive 16m shares, the heaviest single day's business since September 1988.

The shares were helped by a number of recommendations from broking houses, notably from Hoare Govett, whose oil team told clients to switch out of Enterprise Oil and into Lasmo because the "massive disparity between thetwo stocks is both unjustified and unsustainable." Enterprise eased to 447p.

Calor dipped 3 to 225p after an agency cross of 1.3m shares executed at 220p.

Paper group Bowater firmed a penny to 452p as the shares attracted interest following Monday's one-for one share split.

Cable and Wireless's deal with BCE, of Canada, was greeted with enthusiasm and saw C and W shares move forward 9 to 658p.

Rumours of an imminent dawn raid lifted Tarmac 2 to 96p. Taylor Woodrow fell 7½ to 67½p after Hoare Govett increased its forecast of losses in the current year.

Amersham International performed very well on good results and the realisation that profits for the year to March 1994 would receive a big boost from currency changes. Hoare Govett increased its forecast for 1994 £37m from £32.9m. The shares lifted 29 to 555p.

Courtaulds had been looking oversold and recovered 4 to 503p ahead of results next week.

A large line of stock was said to have unhinged A.B.Foods, sending the shares down 14 to 421p. More heavy two-way business in ASDA saw 21m traded but with little effect on the share price, which edged forward ½ to 47½p.

Switching from J. Sainsbury, down 13 at 479p, and into Argyll lifted the latter to within a penny of its all-time high. It ended at 370p, up 2 on the day.

Nervousness ahead of today's half-time results held back Boots. Analysts said potential black holes included the US drugs market, the domestic DIY business and the impact of a price war in perfumes. The shares slipped 5 to 497p.

Vickers eased 2 to 79p after Smith New Court bought and sold a block of 4m shares at around 77p.

Motor trader Jessup forged ahead 10 to 65p as the company announced full-year figures back in the black and an upbeat trading statement.

Rothmans International weakened 18 to 595p in reaction to a BZW profits forecast downgrading and depressed also by slightly lower profits from Dunhill Holdings, in which Rothmans has a 58 per cent share stake. BZW cut its 1992-93 profits forecast to £592m from £605m and to £667m from £676m for 1993-94 as a result of weak results from Rothmans' Australian operations. Dunhill closed the session 9 lighter at 384p.

MARKET REPORTERS:
Christopher Price,
Peter John,
Steve Thompson.

■ Other market statistics, Page 28

FINANCIAL TIMES EQUITY INDICES

	Nov 11	Nov 10	Nov 9	Nov 6	Nov 5	Year ago	High	Low
Ordinary share	2003.0	2016.5	1996.4	2005.4	2009.2	1983.3	2149.7	1670.0
Ord. div. yield	4.58	4.55	4.58	4.56	4.54	4.99	5.54	4.24
Earning yld % full	6.49	6.44	6.49	6.46	6.44	7.17	-	-
P/E ratio net	19.66	19.80	19.66	19.75	19.81	17.55	20.64	15.79
P/E ratio nil	18.17	18.30	18.17	18.25	18.31	16.84	-	-
Gold Mines	66.9	68.2	69.3	71.1	69.5	149.7	160.6	65.0

*for 1992 Ordinary share index since compilation: high 2149.7 22/6/92 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2016.7	2013.4	2019.4	2019.4	2017.2	2015.6	2014.5	2012.8	2006.7	2023.1	2003.0

Volume	Nov 11	Nov 10	Nov 9	Nov 6	Nov 5	Year ago
SEAQ Bargains	28,474	27,433	27,036	27,278	24,598	25,430
Equity Turnover(£m)†	-	1119.3	1154.1	1235.3	1515.4	984.77
Equity Bargains†	-	31,358	30,484	31,391	28,835	24,989
Shares traded (mil)†	-	604.0	508.0	530.6	597.9	403.5

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (169).
BRITISH FUNDS (48) OTHER FIXED INTEREST (1) African Dev. 11¼pc '10. AMERICANS (7) Amer. Express, BankAmerica, Chase Manhattan, Citicorp, Dun & Bradstreet, Echlin, Rep NY. CANADIANS (4) Bk. Scotland 9¼pc Pf., [illegible] High Zero Pf., Foreign & Col., Gartmore Amer Secs. Zero Pf., Gartmore Emrg. Pacific, Gartmore Scot. Zero Pf., Gen. Cons. Stppd. Pf., Genesis Emrg. Mkts., Govett Oriental, Hong Kong, Do Wts., Do Zero Pf., I & S Optimum Inc. Zero Pf., Jupiter Euro. Zero Pf., Kleinwort High Inc. Zero Pf., Law Debenture, Murray Ind., Murray Smllr. Mkts. B, New Zealand, Pacific Assets, Do Wts., Pacific Horizon, River & Merc. Stppd. Pf., St David's Zero Pf., Scot. Amer., Scot. Asian, Scot. Inv., Scot. Mortgage, Scot. Natl. Stppd. Pf., Scot. Value, Second Alliance, Select Assets, TR Pacific, Thornton Asian Emrg. Mkts., US Smllr. Co's, Do Wts., Value & Inc., MEDIA (4) Central ITV, Haynes, Sterling, TVS Ent. MISC (3) BAT Inds 12¼pc ULS 03-08, Bluebird Toys, Waste Mngemt., OIL & GAS (1) Shell 7pc Pf., OTHER FINCL (7) [illegible] 9pc '95-00, Perpetual, Pokphand, S & U, Swire Pacific, OTHER INDLS (2) BTR, Scapa, PACKG, PAPER & PRINTG (1) Photax, PROP (4) HK Land, Land Sec. 10pc '25, Do 10pc '27, Do 10pc '30, STORES (4) Boots, Fine Art Dev, GUS, Next, TELE NETWORKS (1) Cable & Wire. TEXTS (1) Celestion, TRANSPORT (3) CSX, Forth Ports, GATX, WATER (10) Anglian, North West, Northumbrian, Severn Trent, South West, Southern, Thames, Welsh, Wessex, Yorks, MINES (1) Minorco.

NEW LOWS (36).
BLDG MATLS (3) BMSS, Newman-Tonks, Ramus, CONTG & CONSTRCN (1) Campbell & Armstrong, ELECTRICALS (1) Clarke (T), ELECTRONICS (2) Control Techs., Lynx, ENG AERO (1) Rolls-Royce, ENG GEN (1) Simon, FOOD RETAILING (1) Gest, HOTELS & LEIS (1) Expedier, INV TRUSTS (3) Aberust New Euro. Wts., Martin Currie Euro. Wts., New Throgmorton, MEDIA (4) HTV, Sthn. Radio, Trans World, Yorks. Tyne-Tees, MTL & MTL FORMING (3) Apollo Metals, Cohen (A), Garton, MISC (1) Dudley Jenkins, OIL & GAS (1) Presidio, PACKG, PAPER & PRNTG (1) Star-Plus, PROP (4) Benchmark, Ests. & Gen. 6pc Pf., High-Point, Mucklow, STORES (3) Alexon, Era, In Shops, TEXTS (1) Stoddard, MINES (4) Kalls Minerals, Northern Plat., Placer Pac., Stilfontein.

LONDON SHARE SERVICE

BRITISH FUNDS | BRITISH FUNDS - Cont. | BRITISH FUNDS - Cont. | OTHER FIXED INTEREST

[illegible]

EQUITY FUTURES AND OPTIONS TRADING

WITH ALL eyes on the chancellor of the exchequer's Autumn Statement today, business in the derivatives market was quiet, with a hint of nervousness over the exact content of the package adding downward pressure, writes Christopher Price.

The December contract on the FT-SE future opened firmly at 2,745. However, this proved to be the high point of the day as buyers stayed on the sidelines and the contract drifted in quiet trading.

Despite an attempt at a lunchtime rally, the slow downward trend continued, with one overseas bank reported to be a big seller in afternoon trading, revealing a nervousness in the market that the Autumn Statement would not produce the dynamic economic package hoped for. In particular, talk that interest rate cuts would be limited to just ½ percentage point was heard.

A late plunge meant December closed at 2,717, a fall of 28 on the previous session and at a 4-point premium to its fair value of around 17. The trading range fluctauted between zero and 10 to fair value during the day. Volume was 5,386 lots.

Traded options were busier, 25,504 contracts being traded of which 6,389 were in the FT-SE 100 option.

Asda was once again the busiest stock option at 3,632, followed by Scottish Power at 1,723 and Lasmo at 1,697 contracts.

LONDON SHARE SERVICE

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ⊞ Not officially UK listed; dealings permitted under rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. E Auction basis. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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AUTHORISED UNIT TRUSTS

Init Chge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: [illegible]

TIME: [illegible] The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

[illegible]

Centre Point, 103 New Oxford Street, London WC1A 1QH

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FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin. 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Int'l Bond & Conv	5	116.90	117.10	123.30	-	5.16
Postal Pension ‡	3½	137.5	142.0	146.9	....	-
Smaller Cos	5	50.14	51.92	54.65	+0.18	2.58
UK General	5	110.40	111.90	117.80	+0.80	2.78
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	353.16	353.16	374.35	(z)	5.5
Global Inc	5	50.42	50.42	53.44	(z)	4.50
Brit Leaders	5	298.59	298.59	316.5	(z)	3.22
Intl Leaders	5	164.67	164.67	174.55	(z)	1.88
P Am Man Bal Gwth Acc ¶	3½	47.94	48.74	50.64	.....	4.22
P Am Man Bal Gwth Inc ¶	3½	47.94	48.74	50.64	...	4.22
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	46.32	46.32	49.27	-0.06	1.68
Far Eastern Tst	6	53.12	53.54	56.96	+0.22	0.86
Smaller Cos	5	110.3	114.9	122.2	+0.2	3.06
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS. 071-637 5377						
S & W American §	5	258.3	258.9	273.9	+3.3	0.98
S & W Capital	5	106.7	106.7	114.3	+0.7	1.89
S & W Cash §	0	101.04	101.04	101.04	+0.01	7.69
S & W European	5	105.4	105.6	111.7	+0.5	1.30
S & W Far Eastern	5	109.7	110.6	117.0	+0.3	0.00
S & W Growth	5	114.2	115.5	122.1	+0.7	1.49
S & W Income	5	98.41	99.69	105.4	-1.0	5.70
S & W Magnum	5	113.1	113.1	121.9	+0.6	1.85
S & W Smllr Secs	5	246.0	251.6	266.2	+0.7	0.97
S & W Throgmorton	5	130.0	130.0	139.4	+0.8	1.85
Societe Generale Touche Remnant (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
4 Hourly Pricing - 12 Noon Historic						
American Gwth	5¼	72.21	72.21	77.22	-0.26	0
Eur Sp Sits Acc	5¼	40.52	40.52	43.21	-0.03	0

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2¼	88.09	88.09	90.95	-0.20	0.00
Short Dtd Gilt	1½	107.8	107.8	109.2	+0.2	1.99
U.S. Govmt Bond	1½	[illegible]	[illegible]	[illegible]	[illegible]	0.00
Gilt Income	4	52.15	52.15	54.26	[illegible]	8.68
Gilt Growth	4	64.16	64.16	66.79	+0.15	0.00
City Reserve	0	55.06	55.06	55.06	[illegible]	8.8
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	59.19	59.40	63.19	+0.12	2.69

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Grs
Baillie Gifford & Co Ltd				
Int'l Exps Oct 28	636.5	698.2	.....	1.06
James Capel Fund Managers Ltd				
Managed Exempt	119.189	126.01	-0.047	4.28
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Oct 31	544.70	548.50	.....	5.40
Fxd Int Sec Oct 31	151.40	152.10	.....	9.33
Deposit Fund: See Money Market Trust Funds.				
Charinco/Charishare (1000)F				
35 King William Street, EC4R 9AS 071-280 2000				
Charinco Inc	177.4	179.4	+0.50	9.14
Charinco Acc	1015.0	1027.0	+3.00	9.14
Charishare Inc	176.4	180.3	+1.90	4.44
Charishare Acc	223.7	228.7	+2.40	4.44

INSURANCES

Continued on next page

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Prolific Life & Pensions Ltd

Strongsgate, Kendall, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Balanced Grth Mngd	615.8	655.2	+1.3	–
Adventurous Mngd.	149.3	158.9	.....	–
Cautious Mngd	119.1	126.8	+0.4	–
Cash Fd	313.1	330.0	.....	–
Property Fund	217.5	231.4	.....	–
Equity Fund	711.0	756.4	+1.5	–
Fxd. Int. Fund	389.8	410.8	+0.7	–
International	321.4	342.0	+0.7	–
High Income	531.1	565.0	+1.8	–
Far East	431.7	459.3	−0.1	–
North American	413.0	439.4	+1.3	–
Special Sits	488.4	519.6	−0.7	–
Technology	408.7	434.8	+1.2	–
Extra Inc Fd	289.0	307.5	+1.0	–
Convertible & Gilt Fd.	140.7	149.7	+0.2	–
American Income	167.3	178.0	−0.8	–
Gilt Fund 20	441.4	469.6	+0.2	–
European Fund	113.5	120.8	+0.4	–
Pref & Fixed Int	106.0	112.8	+0.6	–
UK Blue Chip	110.1	116.1	.....	–
Recovery Fund	101.4	106.9	+0.5	–
Equity Income Dist	98.0	104.3	+0.2	5.02
Managed Dist.	94.2	100.3	+0.2	5.32
High Yield Dist.	100.4	105.8	+0.5	7.70
Pension Funds				
Balncd Gth Mngd Pens Acc	709.4	746.8	+1.5	–
Adventurous Mngd Pens Acc	155.3	163.5	+0.1	–
Cautious Mngd Pens Acc	136.1	143.3	+0.5	–
Building Soc. Acc	360.0	379.0	.....	–
Property Pens. Acc	295.3	310.9	.....	–
Fix. Int. Pens. Acc	612.1	644.4	−1.7	–
Equity Pens. Acc	901.8	949.3	+2.1	–
International Pens Acc	296.4	312.0	+0.4	–
High Inc Pens Acc	592.5	623.7	+1.8	–
Tech Pens Acc.	289.0	304.3	+1.4	–
N American Pens Acc	310.1	326.5	+0.5	–

Reliance Mutual

Reliance House, Tonbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or −	Yield Gross
Deposit Acc Fd	166.4	179.1	.....	–
Equity Acc Fd.	379.8	399.8	+2.0	–
Managed Acc Fd	334.0	351.6	.....	–
Prop Fd (1st Issue)	–	594.5	.....	–
Prop Acc Fd (2nd Iss).	120.6	127.0	.....	–
Unit Trust Mn. Fd	149.7	157.6	.....	–
RL Pension Funds				
Deposit Acc	240.8	253.5	+0.1	–
Equity Acc	278.1	292.7	+1.8	–
Fixed Int Acc	244.1	256.9	.....	–
Gilt Indx Lnk Acc	185.7	195.5	.....	–
Managed Acc	365.4	384.6	.....	–

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone: 0285 640302 Helpline: 041 307 6500

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
JRA/M&G Managed	108.3	114.0	+0.50	–
JRA/Scottish Amicable Mngd	102.2	107.6	+0.60	–
JRA/St James's Place Mngd	110.9	116.8	−0.20	–
Deposit	99.10	104.4	.....	–
Far East	115.4	121.5	+0.30	–
Gilts	105.5	111.1	.....	–
Greater European	109.0	114.8	+0.70	–
North American	121.3	127.7	.....	–
UK Equity	105.5	111.1	+0.80	–
Pension Funds				
JRA/M&G Managed cap	105.9	111.5	+0.60	–
JRA/M&G Managed acc	108.9	114.7	+0.70	–
JRA/Scottish Amicable Mngd cap	98.80	104.1	+0.80	–
JRA/Scottish Amicable Mngd acc	101.6	107.0	+0.70	–
JRA/St James's Pl Mngd cap	113.6	119.6	+0.40	–
JRA/St James's Pl Mngd acc	116.8	123.0	+0.50	–

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
IBI Global Funds Limited				
Intl Stlg Gwth	£20.46	21.54	+0.14	-
Intl $US Gwth	$17.62	18.55	-0.10	-
High Income Gilt	£26.34	27.30	+0.28	-
International Equity	£20.52	21.61	+0.25	-
International Bond	£22.81	23.65	+0.20	-
Managed Currency	£27.71	28.00	+0.22	-
Sterling Currency	£26.34	26.62	+0.06	-
US$ Currency	$37.70	38.09	+0.01	-
Irish £ Currency	[illegible]	[illegible]	+0.04	-
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£8.98	9.68		-
B.F. Offshore Inc Fd Ltd	£11.50	12.02	...	-
[illegible]	£8.90	9.27	-	-
LFM Sterling Fd	£11.03	11.50	....	-

JERSEY (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 96633						
AIB Currency Funds Ltd						
Intl Managed Bond	5		£- 20.8010	20.8010	[illegible]	-
Managed Capital Bd	5		£- 20.9201	20.9432	[illegible]	-
AIB Grofund Currency Fund Limited						
Stlg Mngd Currency	5		£-	10.9054	[illegible]	-
Sterling Currency Fd	5		£-	10.4919	[illegible]	-
Ecu Currency	5		Ecu-	10.6974	[illegible]	-
US Dollar Mngd Curr	5		$-	21.4521	[illegible]	-
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Australian Eq (Inc)	5¼	£0.842	0.847	0.906	[illegible]	1.0
Global Income (Inc)	5¼	£0.509	0.516	0.552	[illegible]	2.4

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inv Port.	£2.481	2.608		1.18
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£10.02	10.06	+0.03	9.34
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Nov 5	$13.31	13.59	....	2.94
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	53.7	56.0	.....	7.97
UK Equity Fd (z)	210.5	224.0	-0.01	2.86
Intl Bond Fd	99.9	109.0	...	7.09
Natural Resources Fd	-	-	.....	-
Sterling Mngd Asst Fd	536.1	564.0	...	5.00
NatWest TrustCor Currency Fund (a)				
Dollar Class		$38.0702	+0.0078	
Sterling Class		£26.7684	+0.0055	
D-Mark Class		DM82.9280	+0.0189	
Dutch Guilder Class		Dfl82.5063	+0.0165	
Japanese Yen Class		Y7940.4893	+0.4675	
Addington Replica Portfolio Ltd				
Addington Replica Pfolio Ltd £	11.22	11.68	+0.03	-
Addington Replica Pfolio Ltd $	$10.26	10.66	-0.02	-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Nov 5	$35.65	37.90	.....	-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd	$3.5877	3.8127	....	-
Offshore Japanese Gwth Fd	$0.8698	0.9240	....	-
Offshore Am Gwth Fd	$6.1382	6.5231	....	-
Offshore Emerging Cos	$3.9966	3.8022	....	-
Offshore European Fd	$2.4464	1.5371	....	-
Offshore Far Eastern Fd	$2.1942	2.3318	....	-
Offshore UK Growth Fd	$1.7038	1.8107	....	-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Nov 6		54.45	.....	-

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Xiphias International Investment Fd Ltd				
Xiphias Inv USD		$1.1496		-
Xiphias Inv ECU		Ecu1.1043		-
Yamaichi Capital Mngmt (Guernsey) Ltd				
Thai Inv Fund		$12.95		-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. ‡ Distribution free of UK taxes. ● Periodic premium insurance plans. s Single premium insurance. ● Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. §§ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. †† Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. [illegible]

(**) Funds not SIB recognised. The regulatory authorities for these funds are Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

A decisive day for sterling

ON THE EVE of the UK chancellor's Autumn Statement, sterling traded quietly on the foreign exchanges. But some dealers believe that the pound will soon fall below its current levels against the dollar and the D-Mark whatever Mr Norman Lamont announces to parliament today, *writes James Blitz.*

It is 10 weeks since sterling was forced out of the European exchange rate mechanism, and the currency closed unchanged last night at DM2.4175, some 13 per cent below its former ERM floor against the D-Mark.

Against the dollar it ended at $1.5260, up 1¼ cents but some 48 cents below this year's record high, reached on September 2. The pound's trade-weighted index closed near its all-time low, at 77.9. In New York it finished at $1.5250.

Sterling's fall has been triggered by economic gloom in the UK and uncertainty over the direction of the government's economic policy. Today's statement on spending plans for 1993-94 is seen as Mr Lamont's best opportunity to salvage his chancellorship and rebalance economic policy after two months in which its direction has been unclear.

A 2 percentage-point cut in UK base rates before the new calendar year has been priced into the value of short-dated sterling futures in the belief that the government will "go for growth".

Mr Steven Hannah, head of research at IBJ International in London, believes this is a realistic forecast, but warns that sterling will fall sharply if 200 basis points are taken off base rates today or tomorrow. He considers that a 1 percentage-point cut will have little effect on the currency.

"The government is facing more instability, having to push through public expenditure cutbacks, the introduction of the council tax and a tough public pay round," he said. But he believes the growing German recession and the D-Mark's incipient weakness will keep sterling above DM2.40, if UK base rates are lowered gradually.

Mr Ian Beauchamp, chief economist at Hambros Bank in London, strongly emphasises the downside risk for sterling. He believes Mr Lamont is caught in a Catch-22: "The tougher his stance on fiscal tightening, the greater the scope for thinking that there will be more base rate cuts," he said. The announcement of a weaker fiscal package, however, will not dispel the belief that rates are coming down anyway.

Mr Beauchamp thinks DM2.30 and $1.40 are possible targets for sterling before the new year. The economics team at UBS Phillips& Drew forecasts a breach of the record closing low of DM2.3675 within three months.

There is a worry here for British visitors to France and French exporters to the UK. The pound finished little changed last night at FFr8.172. The franc continues to appreciate, leaving every chance that the all-time sterling low of FFr8.03 will soon be broken.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 11	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Belgian Franc	41.9547	40.4759	-3.52	4.88	47
Dutch Guilder	2.29193	2.21443	-3.38	4.73	48
D-Mark	2.03412	1.96823	-3.24	4.57	44
Danish Krone	7.79901	7.54322	-2.78	4.08	10
French Franc	6.82216	6.64588	-2.58	3.07	1
Irish Punt	0.750560	0.742287	-2.56	3.50	-14
Portuguese Escudo	178.044	174.781	-1.17	2.38	-2
Spanish Peseta	139.176	140.825	1.18	0.00	-44

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/ Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

*Floating rate. Iran Official rate £300.75 $65.50

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Nov.11	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.526	2.417	189.2	8.172	2.182	2.722	2066	1.931	49.70	172.8	1.232
$	0.655	1	1.584	124.0	5.355	1.430	1.784	1354	1.265	32.57	113.2	0.807
DM	0.414	0.631	1	78.28	3.381	0.903	1.126	854.8	0.799	20.56	71.49	0.510
YEN	5.285	8.066	12.77	1000.	43.19	11.53	14.39	10920	10.21	262.7	913.3	6.512
F Fr.	1.224	1.867	2.958	231.5	10.	2.670	3.331	2528	2.363	60.82	211.5	1.508
S Fr.	0.458	0.699	1.108	86.71	3.745	1	1.247	946.8	0.885	22.78	79.19	0.565
N Fl.	0.367	0.561	0.888	69.51	3.002	0.802	1	759.0	0.709	18.26	63.48	0.453
Lira	0.484	0.738	1.169	91.49	3.952	1.055	1.318	1000.	0.934	24.05	83.64	0.596
C$	0.518	0.790	1.252	97.98	4.232	1.130	1.410	1071	1	25.74	89.49	0.638
B Fr.	2.012	3.070	4.863	380.7	16.44	4.390	5.477	4161	3.885	100.	347.7	2.479
Pta	0.579	0.883	1.399	109.5	4.729	1.263	1.575	1197	1.117	28.76	100.	0.713
Ecu	0.812	1.239	1.962	153.6	6.633	1.771	2.209	1677	1.567	40.34	140.3	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

CHICAGO

LONDON (LIFFE)

PARIS

BASE LENDING RATES

MONEY MARKETS

Euromark futures fall

THE RECENT setback in short-dated Euromark futures continued yesterday after the Bundesbank carried out a net drain of funds in its weekly money market operations, *writes James Blitz.*

Elsewhere, however, markets were quiet. There was almost no change in cash rates in the sterling money market on the eve of today's Autumn Statement. The prevailing view is that a 1 percentage-point cut in base rate will be signalled tomorrow.

UK clearing bank base lending rate 8 per cent from October 16, 1992

The December Euromark futures contract fell 6 basis points to a close of 91.39 after the Bundesbank drained a net DM5.7bn of liquidity from the German money market in its weekly repo operation. Most of the funds allocated were at 8.75 per cent, unchanged from last week.

The net effect of these moves was to push call money up to 8.83 per cent from around the 8.80 per cent seen on Tuesday evening. Three-month money rose to 8.89 per cent from a previous close of around 8.85 per cent.

Movements in the short-dated Euromark contracts indicate how expectations of an easing in official and market rates in Germany have been dampened in recent weeks.

On October 27 the December Euromark contract closed higher at 91.80, forecasting that three-month money would be at 8.2 per cent by the year-end.

The contract has fallen sharply since then, declining 6 basis points yesterday to close at 91.39. At this level the contract prices three-month money at 8.61 per cent, less than 30 basis points below its current level.

However, yesterday's closing price still assumes that there will be a cut in the discount rate, currently at 8.25 per cent, before the new year. The Bundesbank is believed to assume that there should be a margin of around 50 basis points between the lower posted rate floor and the level of market rates.

The Bank of England forecast a small shortage of only £450m at the start of its operations yesterday, and the overnight rate of lending peaked at 11 per cent. Three-month money again ended at around 7 per cent.

December short sterling dipped 5 basis points to a close of 93.52. The gap between the December and March contracts has widened recently to 70 basis points, reflecting the belief that there will be more rate cuts in the spring.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.8,001 Set by GRIFFIN

ACROSS

1 Reason worried Spanish lady (6)
4 Count returned after two quarters (8)
9 Instrument much used in theatres? (7)
10 When hot a shady nook provides shelter (7)
11 Involved men in tent taking ringleader into confinement (10)
12 Run back with key to vehicle (4)
13 About a hundred going into cold air collapsed (5)
14 What women seek of peer caught leaving city? (8)
16 Packing everybody back to bed, voted (5)
18 Furious cover girl is introduced (5)
20 Expression turned up on the way back (4)
21 Colossal memorial to a Liberal leader (10)
23 About five to ten used new roundabout (7)
24 Cheese list arranged by weight (7)
25 Garment drunk has finished with (6)
26 Oriental theologian embraces fighting man (6)

DOWN

1 Works up towards the golf club (5)
2 Type of energy uncle's new topless bar provides? (7)
3 Theatre worker admitting hospital is sorry (9)
5 Not fitting it holds vessel up (5)
6 Bill's wrong about age of politician (7)
7 Cat turned nasty when cropped (9)
8 Fed up with completion work for solicitors? (9)
13 Sick of drinking from cup learnt another way (9)
15 Not restricted by football side when about 51, married (9)
17 Swindle the Parisian before carrying on (7)
19 Virginia is carrying an unhealthy plant (7)
21 Increase by a superfluous figure (5)
22 Audibly ordered load you say is enclosed (5)

Solution to Puzzle No.8,000

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close November 11

Quotations in cents unless marked $

2100 Cara Op 475 470 470 -5
67100 Cascades 37 7 7
100 Celanese x $42 42 42
200 Cntrl Cap 3½ 3½ 3½
12000 Chapx Cda $35 230 235 -5
12100 Cntrl Fd A 485 480 480
67800 Cominco $18⅞ 19 19 -⅞
3200 Copulsiog 84 84 84

3800 Jannock $13½ 13½ 13½ -⅛
600 KerrAddis $16½ 16½ 16½ +⅛
28000 Labatt x $27½ 27 27 -⅛
202400 Lac Mnls $7⅝ 7⅝ 7½
2800 Lafarge x $18½ 18¼ 18¼
400 Laidlaw A $10⅞ 10⅝ 10⅝ -¼
110100 Laidlaw B $10⅞ 10⅝ 10⅝ +⅛
500 Laurent Bk $19 19 19

84700 Repap Ent 320 310 310 -5
42800 Rio Algom x $18 18 18 -⅛
19300 RogersCom B $13½ 13⅛ 13¼
300 Rothmans $95 95 95 -1
109000 RoyalBkCan $23½ 23 23⅛ +⅛
78000 Ryl Oak Mn 173 170 173 +3
377100 RylTrustco 330 320 330 +5
700 StLawCo A $8 7⅞ 7⅞

MONTREAL

4 pm close November 11

21400 Natl Bk Can x $8⅞ 8¼ 8¼
35000 Quebecor A $18⅛ 18¼ 18¼
200 Teleglobe $13¼ 13¼ 13¼
2400 Univa $7⅞ 7⅞ 7⅞ +⅛
13200 Videotron $18¼ 18 18¼ +½
Total Sales 13,312,100 shares

INDICES

NEW YORK

DOW JONES	Nov 11	Nov 10	Nov 9	Nov 8	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3240.33	3225.47	3240.87	3240.06	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.15	102.03	101.84	101.99	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1381.72	1365.15	1387.36	1387.36	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.57	215.26	216.20	217.51	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3258.70 (3268.15) Low 3203.31 (3212.50) (Theoretical)
Day's High 3245.46 (3252.21) Low 3219.52 (3224.66) (Actual)

STANDARD AND POOR'S

	Nov 11	Nov 10	Nov 9	Nov 8	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	422.20	418.62	418.59	417.58	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	496.13	491.40	491.28	489.88	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	38.19	37.90	37.69	37.37	38.19 (11/11)	32.40 (8/4)	38.19 (11/11/92)	8.64 (1/10/74)
NYSE Composite	232.58	230.66	230.63	230.09	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	388.81	385.66	385.36	383.26	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	634.92	627.76	622.05	616.82	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Nov 6	Oct 30	Oct 23	year ago (approx.)
Dow Industrial Div. Yield	3.20	3.21	3.24	3.05

	Nov 4	Oct 28	Oct 21	year ago (approx.)
S & P Industrial div. yield	2.68	2.68	2.72	2.75
S & P Indl. P/E ratio	27.31	27.52	27.22	21.17

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Healthtrust	12,751,700	16	+ ⅞
Merck	4,071,100	44⅞	+ 2
Home Shop	3,299,600	4½	- 1⅞
IBM	3,138,400	65¼	- ¼
Glaxo	2,974,800	25	+ ⅞
RJR Nabisco	2,719,100	8⅝	- ⅛
Chicorp	2,135,900	18⅞	+ 1
Bristol Myers	2,015,000	68½	+ 2⅛
Telefonos	2,012,600	52⅞	+ ⅛
Fed Dept	1,984,900	16⅞	---

TRADING ACTIVITY

† Volume (Millions)	Nov 11	Nov 10	Nov 9
New York SE	240.160	221.850	197.490
Amex	18.696	15.610	13.455
NASDAQ	(a)	262.157	245.428
NYSE			
Issues Traded	2,361	2,377	2,400
Rises	1,189	989	979
Falls	644	818	857
Unchanged	528	570	564
New Highs	116	101	95
New Lows	29	34	57

CANADA TORONTO

	Nov 11	Nov 10	Nov 9	Nov 6	1992 HIGH	1992 LOW
Metals & Minerals	2661.24	2658.59	2684.85	2702.84	3238.87 (16/1)	2603.82 (15/10)
Composite	3286.40	3277.20	3293.76	3310.90	3666.80 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1739.63	1731.83	1740.80	1752.02	1937.99 (16/1)	1663.36 (14/10)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ◊ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Nov 11	Nov 10	Nov 9	Nov 6	HIGH	LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1394.5	1397.6	1419.5	1423.3	1684.50 (22/5)	1394.50 (11/11)
All Mining (1/1/80)	575.3	581.9	595.5	599.6	726.80 (3/7)	575.30 (11/11)
AUSTRIA						
Credit Aktien (30/12/84)	314.74	317.35	318.51	324.19	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	757.87	763.21	764.39	780.17	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	(c)	1135.38	1133.68	1134.47	1235.40 (28/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	262.02	258.83	256.34	255.18	365.29 (15/1)	250.42 (28/10)
FINLAND						
HEX General (28/12/90)	822.8	813.5	809.1	799.7	935.90 (24/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/81)	(c)	472.19	472.10	476.64	555.93 (12/5)	441.70 (7/10)
CAC 40 (31/12/87)	(c)	1798.46	1786.65	1793.62	2077.49 (11/5)	1611.06 (5/10)
GERMANY						
FAZ Aktien (31/12/58)	597.53	595.83	596.38	588.60	725.26 (26/5)	565.61 (12/10)
Commerzbank (1/12/53)	1691.4	1684.2	1688.3	1663.9	2043.80 (25/5)	1594.60 (12/10)
DAX (30/12/87)	1512.21	1519.06	1508.80	1487.16	1811.57 (25/5)	1420.30 (6/10)
HONG KONG						
Hang Seng Bank (31/7/64)	6422.03	6273.08	6267.91	6315.01	6422.03 (11/11)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1121.86	1110.10	1108.90	1124.57	1469.57 (17/1)	1094.88 (29/10)
ITALY						
Banca Com. Ital. (1972)	449.79	451.04	432.59	432.77	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	887.0	889.0	855.0	858.0	1086.00 (3/2)	696.00 (16/9)
JAPAN	[illegible]					
MALAYSIA	[illegible]					
NETHERLANDS	[illegible]					
NORWAY	[illegible]					
PHILIPPINES	[illegible]					
SINGAPORE	[illegible]					
SOUTH AFRICA	[illegible]					
SOUTH KOREA	[illegible]					
SPAIN	[illegible]					
SWEDEN	[illegible]					
SWITZERLAND	[illegible]					
TAIWAN	[illegible]					
THAILAND	[illegible]					
WORLD	[illegible]					

TOKYO - Most Active Stocks

Wednesday, November 11, 1992

[illegible]

AUSTRIA, BELGIUM/LUXEMBOURG, DENMARK, FINLAND, FRANCE, GERMANY, ITALY, NETHERLANDS, NORWAY, SPAIN, SWEDEN, SWITZERLAND, SOUTH AFRICA, JAPAN, AUSTRALIA, HONG KONG, MALAYSIA, SINGAPORE — stock price listings: [illegible]

4 pm close November 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	11	AAR Corp	0.48	3.9	20	481	12⅛	12	12⅛	+⅛
27½	18	A L Labs A	0.18	0.7	98	758	u28½	26⅞	27½	+½
66¼	52⅝	AMP Inc x	1.52	2.3	24	1617	65⅞	65½	65½	
80¼	54⅛	AMR			13	2731	65	64¼	64⅛	-⅛
2⅛	1⅛	ARX			15	280	2¼	2	2¼	
53½	30¾	ASA	2.00	6.2	21	301	32⅜	31⅝	32¼	+⅝
34¼	26⅛	Abbott Lab	0.60	2.0	20	12804	29⅝	28¼	29⅝	+1¼
13⅞	10⅝	Abitibi Pr	0.40	3.6	5	5	11⅛	11⅛	11⅛	
11⅜	10⅛	ACM Gvt In x	1.01	9.4		108	10⅞	10¾	10⅞	
10⅛	9⅛	ACM GvOpp x	0.87	9.3		103	9⅜	9⅜	9⅜	
9¾	8½	ACM 6A Sp x	0.79	8.9		253	8⅞	8¾	8⅞	
11⅜	10⅛	ACM Gvt Se	0.96	9.1		365	10⅝	10½	10½	-⅛
10⅝	8⅝	ACM Man x	1.00	10.3		51	9⅞	9⅝	9⅝	
12⅞	9⅝	ACM Musgd x	1.09	11.2		52	9¾	9⅝	9¾	+⅛
11¾	4¾	Acme Clevs x	0.40	5.4	14	86	7½	7¼	7⅜	-⅛
6¼	3¾	Acme Elect			34	6	4½	4⅜	4⅜	-⅛
33¼	14⅜	Acuson			12	1932	17⅛	16⅞	16⅞	-¼
20⅞	16⅛	Adams Expr	0.48	2.4	1	83	u20⅞	20¼	20⅜	+⅛
49⅛	29½	Ad Micro	3.00	7.1		207	42½	42⅛	42½	+⅛
21½	7½	Ad Micro P	3.00	18.3		64778	16⅝	16⅛	16⅜	+⅝
9⅛	4⅞	Advest Grp	0.16	2.8	11	82	5¾	5½	5⅜	+⅛
42⅛	33	Aegon ADR	1.35	3.3	7	94	41¼	40⅞	41¼	-⅛
47	38	Aetna Lf	2.76	6.4	12	1007	42⅞	42½	42⅞	+⅛
12¾	8¾	Affil A x	0.24	2.2	14	124	11	10⅞	11	
34	24	Aflac x	0.44	1.5	13	1911	29⅞	29⅜	29⅝	+⅛
18⅜	13	Ahmanson x	0.88	5.9	71	686	15	14¾	14⅞	
22½	4	Aileen Inc			9	218	6⅝	5¾	6⅜	-⅛
49½	36½	Air Pr Chm	0.86	1.8	19	2933	48⅝	48	48⅝	+⅛
[illegible]										
40½	30½	Baxter	0.86	2.5	16	5002	34⅜	34⅛	34½	+⅝
28½	20¾	Bay St Gas x	1.38	5.4	16	45	26	25¾	25¾	-⅛
25⅜	21⅝	Bd Tr 1836	1.82	7.6		12	24⅛	23⅞	23⅞	
18¼	13½	Bear Strns	0.60	3.8	5	3396	15⅞	15⅝	15⅞	+½
45¼	43⅞	BearStPfA	3.25	7.3		2	44½	44½	44½	
23¼	16¼	Bearings x	0.64	3.2	19	5	20⅛	20¼	20⅛	
23⅝	17⅝	Beckman In x	0.32	1.4	16	261	23½	22⅞	23¼	+⅛
78⅞	64⅞	Becton Dks	1.20	1.5	16	427	78½	76⅞	78¼	+1
37½	25⅞	Belding Hy	0.64	2.3	20	7	28½	28⅛	28⅛	-⅛
49¾	40¼	Bell Atlan	2.60	5.8	13	2081	45	44½	44⅞	+⅞

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NYSE COMPOSITE PRICES

Continued from previous page

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1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
34½	24⅞	Xtra 1.94	1.94	5.7		28	34	33¾	33¾	
47½	28½	Xtra Corp	0.80	1.7	14	21	47¼	47¼	47¼	+¼
30⅝	25¼	Yankee Egy	1.68	6.2	12	96	27¼	26¾	26⅞	-⅛
1½	½	Zapata			21	285	⅞	⅞	⅞	-⅛
11¼	5	ZenithElec				17686	6½	5¼	5⅜	-1¼
19½	14½	Zenith Nat	1.00	5.8	8	27	17¼	17	17¼	
7½	6	Zenix Inc	0.80	12.3		54	6½	6⅜	6½	+⅛
13¾	10	Zero Corp x	0.40	3.0	20	106	13⅜	13¼	13¼	-⅛
38	27¾	Zurn Ind x	0.88	2.4	41	848	37¼	35¼	36⅛	+1⅞
14½	12	Zweig Fund	1.12	8.8		259	12⅞	12⅝	12⅝	
11	9½	Zweig Tot x	0.96	9.7		819	10	9⅞	9⅞	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close November 11

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NASDAQ NATIONAL MARKET

4 pm close November 11

[illegible]

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		23	4892	21½	20	21¼	+¾
Xoma Corp		4	1581	10½	10	10¼	
Yellow Fr	0.94	22	186	28¾	28¼	28½	+⅛
York Rsch		7	1127	7¼	7	7	-⅛
ZionsUtah	1.44	11	24	69	67	68¼	+1¼

AMERICA

Dow outperformed by small growth stocks

Wall Street

AFTER A weak opening, US share prices posted modest gains, although small-capitalisation growth stocks traded on the Nasdaq system once again outperformed the wider market, *writes Patrick Harverson in New York.*

The Dow Jones Industrial Average ended 14.86 firmer at 3,240.33, buoyed by heavy demand for drug stocks. The Standard & Poor's 500 gained 3.60 at 422.22, while the American SE composite put on 3.15 at 388.81. The Nasdaq composite advanced afresh by 7.16 to 634.92 in active trading. Turnover on the New York SE was very heavy at 241m shares.

Outside influences on the market were scarce, with no economic statistics of importance due for release, and the bond markets closed for the Veterans Day holiday.

The pattern of the first two days of the week was repeated, with blue chips struggling to make headway amid active two-way trading but secondary stocks, especially more speculative issues traded over the counter which attracted extremely strong demand, registering decent gains on steady investor demand.

Profit-taking continued to plague some leading cyclical stocks, especially those that had benefited from demand linked to the Presidential election. In the weeks running up to the November 3 poll, investors had bought into cyclical shares that were expected to benefit from a new Democratic administration's plans for increased government spending. By the start of this week, those same investors had begun to book some of the profits earned during the run-up to polling day.

Among the cyclical stocks, International Paper lost a further $1¼ to $62⅞ after broking house Bear Stearns lowered its rating on the stock from "attractive" to "hold". The broker also reduced its earnings estimates because of concern over the sluggishness of the white paper business and the company's exposure to weakening European markets. Westvaco, another paper company also downgraded by Bear Stearns, slipped $⅞ to $35.

Pharmaceuticals, especially those recently hit by selling on fears that a Clinton administration would put controls on drug prices, rallied strongly. Johnson & Johnson rose $1⅛ to $50⅞, Pfizer $2½ to $77⅞ and Merck $2⅛ to $44⅞.

Federated Department Stores firmed in early trading but slipped back to end steady at $16⅛ in turnover of 1.8m shares after the retailer reported third-quarter net income of $31.6m, a dramatic turnround from the $61m loss incurred at the same stage a year ago.

Other retail shares were also firmer, boosted by signs of a modest recovery in sales. Sears appreciated $1⅞ to $43⅜, J.C. Penney $⅞ to $76⅞ and Gap Stores $⅞ to $31⅞. The exception was Wal-Mart, which receded $⅜ to $62 after seeing its stock rating cut by PaineWebber.

On the Nasdaq market, Nordstrom jumped $3⅛ to $35⅛ as investors applauded the company's 29 cents a share third-quarter profit, an improvement on the 24 cents earned in the same period of 1991.

Canada

TORONTO rallied moderately, ending a six-session losing streak. The TSE 300 index gained 9.2 on the day at 3,286.4, although declining issues slightly outnumbered advances by 259 to 251 after a modest volume of 25.1m shares worth C$264.4m.

EUROPE

Profit-taking hits Frankfurt and Milan

FRANKFURT and Milan succumbed to profit-taking after their recent gains, *writes Our Markets Staff.* Paris and Brussels were closed for a holiday.

FRANKFURT came to a halt after a week of steady gains on afternoon profit-taking, the weaker dollar and selling from the futures market. The DAX index closed 6.85 lower at 1,512.21 after a 2.50 gain to 597.53 in the FAZ at midsession, the afternoon downturn leaving an early carmakers' rally in disarray.

Turnover rose from DM4.2bn to DM4.6bn. The Bundesbank's weekly securities repurchase tender, which left minimum short-term rates unchanged at 8.75 per cent, reinforced the view that interest rate cuts were still some way off.

Among carmakers, BMW was the early winner but after an early high of DM503, it ended with a DM1 loss at DM493. Daimler maintained some of its early strength, ending DM4.60 better on the day at DM530.50 but still DM6.50 off its high, while Volkswagen lost DM7.20 to DM368.80 on talk of a switch into BMW.

A 9 per cent rise in profits from Siemens and an unchanged DM13 dividend left it DM2.80 lower at to DM558.70, but rumours of an Indian power plant contract for its KWU subsidiary took the shares up to DM561 in the London afternoon.

Among financials, Dresdner Bank lost DM5 to DM356 on a DM750m eurobond with equity warrants but AMB rose DM10 to DM800 on the sale of part of its stake in BfG Bank to Crédit Lyonnais. In second-liners, Asko extended its fall after the cartel office block on its planned merger with Metro, closing DM20 lower at DM484.

MILAN made good gains at the start but weakened suddenly around midday, soon after news that a cabinet meeting on privatisation had ended. No statement was issued after the meeting but the fall in state-controlled bank shares gave dealers the impression that insiders were selling. The Comit index fell 1.05 to 449.99 in turnover estimated at around L220bn after Tuesday's heavy L325.9bn.

Banca Commerciale Italiana dropped to L4,015 but finally closed L320 or 7.2 per cent down at L4,130 in heavy volume of 7.9m shares and Credito Italiano fell as low as L2,740 before closing L183 or 6.1 per cent lower at L2,797. Other privatisation candidates were also weaker.

Dealers also attributed the market's weakness to profit-taking after recent gains and to technical selling linked to the expiry of the monthly stock options, most of which were exercised.

ZURICH's banks came under pressure late in the session. UBS bearers falling SFr13 to SFr806 and topping the active list while SBC bearers lost SFr8.50 to SFr270. Swiss money market rates were slightly higher, and this also affected insurers where Winterthur registered fell SFr30 to SFr2,460.

Profit-taking brought the engineering group, Sulzer, back to close SFr4 lower at SFr674 after an earlier high of SFr690 on a reiterated forecast of a big rise in 1992 profits.

STOCKHOLM dropped 2 per cent on higher domestic interest rates and slightly disappointing nine-month results from Astra. The Affärsvärlden General index fell 14.60 to 722.60 in turnover of SKr486m. after SKr530m.

Astra's pre-tax profit of SKr3.42bn came in at the low end of expectations and the free A-shares fell SKr7 to SKr589.

Volvo's free B-shares fell SKr12 to SKr261 after Mr Louis Schweitzer, chief executive of Volvo's French partner Renault, ruled out a full merger between the two vehicle makers in the near future.

COPENHAGEN banking and financials continued to benefit from Tuesday's repo rate cut but the biotech company, Novo Nordisk, fell on third quarter results which came in slightly below expectations.

The KFX top-20 index gained 1.22 to 76.28. Den Danske Bank and Unidanmark rose DKr1 to DKr135 and DKr4 to DKr233, while Novo Nordisk edged down DKr1 to DKr511.

OSLO's all-share index closed 1.95 lower at 344.92 but Den norske Bank, Norway's biggest bank, was an exception with a jump of NKr0.3 to NKr1.0 on continuing speculation about a restructuring of state-controlled banks.

AMSTERDAM ended mixed as the CBS Tendency index ended down 0.4 at 103.8. Unilever dropped another Fl 2.10 to Fl 183 on worries over its earnings prospects in the fourth quarter.

HELSINKI traded higher on lower domestic interest rates and the HEX index firmed 9.3 to 823.8.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

November 11 Hourly changes †	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1052.47	1051.58	1051.09	1049.11	1049.27	1048.83	1048.61	1048.15
FT-SE Eurotrack 200	1115.62	1114.11	1113.62	1111.48	1111.78	1111.17	1109.75	1108.98

	Nov 10	Nov 9	Nov 6	Nov 5	Nov 4
FT-SE Eurotrack 100	1054.50	1043.29	1038.28	1038.93	1037.06
FT-SE Eurotrack 200	1117.70	1108.00	1111.70	1109.13	1105.82

Base value 1000 (26/10/90) High/day: 100 - 1052.81; 200 - 1115.62 Low/day: 100 - 1044.63 200 - 1108.45 †Partial

ASIA PACIFIC

Hong Kong rises 2.4 per cent to new high

Tokyo

TRADING remained dull on the lack of fresh news, and the Nikkei average lost ground on arbitrage-related selling, *writes Emiko Terazono in Tokyo.*

The Nikkei closed 113.96 off at 16,318.15 after a day's high of 16,481.95 and low of 16,279.74. It firmed in the morning on a rise in the futures market, but was later weighed down by margin-unwinding and selling by investment trusts.

Volume dipped to 190m shares from 216m. Declines outnumbered advances by 633 to 259, with 171 issues unchanged. The Topix index of all first section stocks shed 6.73 to 1,248.33, and in London the ISE/Nikkei 50 index eased 1.48 to 1,005.98.

Analysts said the Nikkei could fall further, as investors who bought shares in the September rally were now selling. "There is a clean-up of arbitrage and margin positions built up in September," said Mr Craig Chudler, strategist at UBS Phillips & Drew.

Traders said most participants expect the index to fall below 16,000, which would prompt buying by investors and public funds. However, buyers are likely to be either short-term players or long-term investors. "What we need are investors who are in-between," said one trader.

Banks were bought by public funds in the morning but later declined on profit-taking. Industrial Bank of Japan lost Y20 at Y2,390 and Fuji Bank Y30 at Y1,760.

Kurabo Industries, the cotton spinner, was the most active issue of the day, rising Y25 to Y365 on reports that it will start selling a popular synthetic fibre.

Aids-related stocks were lower as dealers and speculators liquidated margin positions. Investors were still discouraged by the recent "TSD shock" when the computer software company TSD, listed on the over-the-counter market, last week admitted misinforming investors of clinical trials of its HIV vaccine. Green Cross fell Y70 to Y1,260 and Okamoto Industries, the condom maker, lost Y29 to Y956.

Gajoen Kanko, a hotel chain with close ties to Itoman, the scandal-tainted textile trading company based in Osaka, was the weakest spot of the day, dropping Y14 to Y120. Reports that Itoman, which is due to be dissolved by a merger next year, had sold the bulk of its 13.9 per cent stake in Gajoen prompted light selling.

In Osaka, the OSE average was 60.19 lower at 17,832.24 in volume of 23.2m shares. Profit-taking depressed pharmaceutical and construction issues.

Roundup

THE SPORTING instincts of the Hong Kong investor stood out as the Pacific Rim region put on a mixed performance.

HONG KONG's Hang Seng index closed 148.95, or 2.4 per cent, higher at a new peak of 6,422.03 in heavy turnover of HK$4.77bn, partly on news that Governor Chris Patten had met China's top official in Hong Kong, but also on the chance that the Legislative Council would reject Mr Patten's scheme for wider democracy.

It was thought that rejection of Mr Patten's scheme – which would appease Chinese anger over what Beijing sees as a challenge to its sovereignty after Hong Kong's 1997 handover from Britain – could send the market to even greater highs.

Tuesday's award of an estimated HK$10bn container port contract to several local consortia lifted Li Ka-shing's Hutchison empire, a unit of which will share in the contract. Hutchison Whampoa was up HK$1.10 at HK$17.10.

SINGAPORE saw late profit-taking as volume fell from 275.1m to a still active 176.2m shares, and the Straits Times Industrial index ended just 3.72 higher at 1,441.86.

BANGKOK's banks led a strong technical rebound. Following reassurance on market prospects by Tarrin Nimmanahaeminda, the finance minister, they boosted the SET index to a rise of 10.60 to 937.12 in Bt10.84bn turnover. Siam City Bank gained Bt1.50 at Bt17.75 on Bt1.41bn turnover.

SEOUL retreated on profit-taking after a five-day rally, the composite index losing 17.90, or 2.6 per cent, to 658.96. Volume was again a record, reaching 74.65m shares after Tuesday's 71.26m. Daewoo Corp attained the highest ever day's turnover for a single company as it rose Won200 to Won11,200 on 5.58m shares.

AUSTRALIA fell on a report that the country's debt rating was under pressure. Moody's Investor Services said later that there was no immediate threat to the debt rating, and the All Ordinaries index closed only 3.1 off at 1,394.5.

BOMBAY dropped on reports of more payment defaults at other Indian bourses. The BSE index touched 2,555.53 before finishing at 2,596.53, down 88.56 or 3.3 per cent. Brokers said the Ahmedabad bourse was hit by a payment crisis, following defaults in Calcutta last week.

SOUTH AFRICA

JOHANNESBURG was lifted by demand for quality shares and the overall index closed 27 up at 3,029 after touching 3,030 earlier. Golds rose 18 to 764 and industrials added 21 to 4,032. De Beers firmed R2.75 to R54.25.

Taiwan searches for way back to the golden days

Simon Davies on the problems depressing Taipei

In the golden days of 1989, average daily turnover on the Taiwan Stock Exchange used to exceed T$150bn (US$5.8bn). By Tuesday this week it hit a three-year low of T$5.7bn, underlining the extent to which the Taiwanese have lost confidence in their stock market.

Around 70 per cent of investment capital in Taiwan comes from individuals, rather than institutions, and they have found better homes for their excess cash in Hong Kong and southern China.

The Taiwanese economy remains robust (7 per cent growth is still achievable for the full year), inflation is easing and corporate earnings growth should pick up next year; but in spite of this seemingly positive scenario, the stock market looks unlikely to show any substantial recovery in the near term.

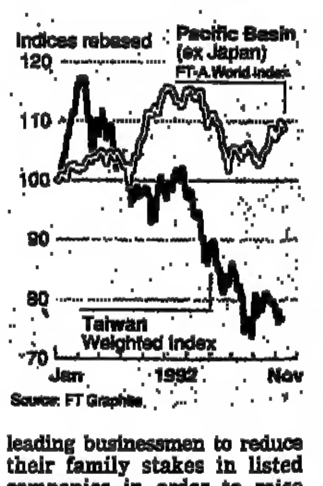
Yesterday the weighted index ended 36.36 higher at 3,570.89 after the Finance Ministry announced late on Tuesday a long-awaited package of measures to boost the market, and turnover recovered slightly to T$7.7bn. Nevertheless, the index is still languishing 71 per cent below its all-time peak of 12,495 reached in February 1990.

The banking sector has suffered a decline in profits because of a competitive squeeze on interest rate spreads, while the steel and textile sectors have felt the impact of the global recession and increasing production costs. Analysts say the net result will be minimal corporate earnings growth this year.

It is the stance of the government which appears to be occupying the minds of investors. Government plays a powerful role in regulating overseas activity, but it also exerts a strong influence on local institutions.

This week's package included a Finance Ministry pledge to ask the postal system and labour pension funds to buy shares, and a promise to encourage foreign investment in the stock market. But investors are also looking for a more liberal approach to investment and travel links with mainland China.

At present, the pattern of investment in China is for leading businessmen to reduce their family stakes in listed companies in order to raise capital for private investment in China. This creates an overhang of stock at a time when listed companies are not participating in the boom across the Straits of Taiwan.



Source: FT Graphics

It is estimated that Taiwanese corporations have indirectly invested more than US$4bn in China. With GNP per capita in Taiwan of around 30 times the figure in China, the benefits from relocating the island's low-margin, export-oriented businesses could be enormous. But until the government relaxes policy towards the mainland, the stock market will not benefit directly.

The likely devaluation of the Taiwanese dollar could provide a short-term boost to export industries, and some economists suggest that further cuts in interest rates are likely, providing another boost to stock market liquidity.

However, it is likely to take more than that to bring the investors back. Uncertainty ahead of the December 19 elections for the legislative Yuan, or parliament, is depressing business confidence, due to concern over the fragmentation of the ruling Kuomintang party. A poor showing by the supporters of President Lee Teng-hui could be damaging for the business community.

The jailing of the leading 'stock market' player, Oung Da Ming, and the subsequent scandal over more than T$70bn in stock payment defaults has also damaged the market's credibility. In addition, it has taken away the last of the "big hands" who used to make up the bulk of turnover, but who have been scared off by the apparent government clamp-down on speculation.

Mr David Hsu, president of Jardine Fleming Taiwan Investment Management, says: "We are cautious from now until next Chinese New Year [late in January]. But we hope that after the elections the situation will become clearer."

It is impossible to exaggerate the impact of a change in stock market sentiment on Taiwan's cash-rich individual investors. But for the moment, there is little sign of a return to the casino days of old.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 11 1992								TUESDAY NOVEMBER 10 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	112.10	−0.1	108.91	87.87	92.38	107.81	−0.1	4.52	112.26	109.93	88.27	93.15	107.96	153.68	112.10	158.05
Austria (19)	138.51	−0.4	134.57	108.57	114.14	114.72	−0.5	2.46	139.02	136.14	109.33	115.36	115.34	186.70	138.51	170.85
Belgium (42)	136.04	+0.5	132.17	106.63	112.10	109.37	+0.0	5.63	135.42	132.61	106.48	112.36	109.37	152.27	134.41	134.06
Canada (114)	114.85	+0.2	111.58	90.01	94.63	105.28	+0.3	3.31	114.65	112.27	90.15	95.13	104.94	142.12	112.97	144.28
Denmark (33)	193.42	+2.2	187.92	151.61	159.39	159.82	+1.5	1.72	189.25	185.32	148.82	157.03	157.52	273.94	184.18	261.08
Finland (15)	70.62	+1.7	68.61	55.35	58.19	74.03	+1.1	1.91	69.43	67.99	54.60	57.61	73.22	89.80	52.84	86.16
France (100)	147.64	+0.7	143.44	115.72	121.65	124.02	+0.0	3.64	146.68	143.64	115.34	121.70	124.02	168.75	144.70	144.87
Germany (64)	104.66	+0.4	101.69	82.05	86.25	86.25	−0.3	2.67	104.28	102.12	82.01	86.53	86.53	129.69	102.51	112.58
Hong Kong (53)	261.41	+2.3	253.98	204.90	215.42	259.45	+2.3	3.47	255.45	250.15	200.87	211.97	253.57	261.48	176.36	174.49
Ireland (16)	126.81	+2.3	123.20	99.39	104.49	106.93	+1.7	5.09	123.98	121.41	97.50	102.88	105.12	173.71	123.98	161.74
Italy (77)	58.68	−0.5	57.01	45.99	48.35	59.38	−0.7	3.50	58.95	57.73	46.35	48.91	59.82	80.86	47.47	70.81
Japan (472)	100.89	−0.2	98.02	79.08	83.15	79.08	−0.5	1.07	101.06	98.96	79.47	83.86	79.47	140.95	87.27	139.17
Malaysia (69)	279.38	+0.1	271.43	218.97	230.21	271.58	+0.0	2.42	279.19	273.40	219.53	231.65	271.45	282.42	212.49	212.65
Mexico (18)	1531.35	+0.5	1487.79	1200.31	1261.89	5220.47	+0.4	1.15	1523.70	1492.09	1198.17	1264.30	5201.05	1789.77	1185.84	1378.41
Netherland (25)	150.39	+0.0	146.11	117.88	123.93	122.42	−0.6	4.63	150.40	147.28	118.26	124.80	123.21	169.70	147.88	147.14
New Zealand (13)	38.25	−0.7	37.17	29.99	31.52	38.81	−0.5	5.64	38.53	37.73	30.30	31.97	39.02	48.52	37.39	49.39
Norway (22)	131.80	−0.1	128.05	103.31	108.61	115.48	−0.9	2.10	131.95	129.21	103.76	109.49	116.50	192.95	131.36	186.76
Singapore (38)	201.16	+0.6	195.44	157.68	165.76	151.71	+0.6	2.17	199.94	195.79	157.22	165.90	150.74	229.63	179.65	210.47
South Africa (60)	142.26	+1.4	138.22	111.51	117.23	145.47	+0.9	3.51	140.34	137.43	110.35	116.44	144.18	263.60	139.37	267.38
Spain (48)	107.53	+0.4	104.47	84.29	88.61	92.42	−0.3	6.49	107.10	104.87	84.22	88.86	92.69	161.72	107.10	150.43
Sweden (31)	155.23	−1.6	150.81	121.66	127.92	137.08	−2.3	2.86	157.74	154.47	124.05	130.89	140.35	200.28	149.69	180.65
Switzerland (60)	107.84	−0.2	104.77	84.53	88.88	95.84	−0.6	2.24	108.05	105.81	84.97	89.67	96.19	122.37	95.99	98.28
United Kingdom (228)	163.45	+0.2	158.80	128.11	134.68	158.80	−0.6	4.62	163.16	159.78	128.29	135.37	159.78	200.07	162.78	180.68
USA (522)	172.65	+0.8	167.74	135.33	142.28	172.65	+0.8	2.94	171.20	167.65	134.63	142.06	171.20	173.39	160.92	161.59
Europe (780)	132.48	+0.2	128.71	103.84	109.17	118.74	−0.5	3.96	132.22	129.47	103.97	109.71	119.30	156.88	131.85	142.95
Nordic (101)	143.76	−0.3	139.67	112.68	118.46	119.71	−1.0	2.44	144.20	141.21	113.39	119.65	120.97	198.52	141.24	183.00
Pacific Basin (713)	106.42	+0.0	103.39	83.42	87.70	85.13	−0.3	1.42	106.43	104.22	83.69	88.31	85.37	141.97	93.70	140.37
Euro – Pacific (1493)	116.96	+0.1	113.64	91.67	96.38	98.61	−0.4	2.59	116.86	114.44	91.89	96.96	98.97	145.21	113.80	141.74
North America (638)	169.06	+0.8	164.25	132.53	139.34	168.07	+0.8	2.96	167.69	164.21	131.88	139.16	166.70	170.49	158.70	160.44
Europe Ex. UK (552)	113.60	+0.2	110.37	89.06	93.63	96.91	−0.4	3.49	113.36	111.01	89.16	94.09	97.27	132.98	112.24	120.47
Pacific Ex. Japan (241)	160.73	+1.0	156.16	126.01	132.45	147.63	+1.0	3.60	159.17	155.87	125.18	132.09	146.20	175.31	149.00	152.09
World Ex. US (1685)	118.03	+0.1	114.68	92.52	97.27	100.59	−0.3	2.61	117.90	115.45	92.72	97.83	100.91	146.91	116.18	143.93
World Ex. UK (1979)	132.87	+0.5	129.09	104.15	109.50	119.16	+0.3	2.53	132.27	129.53	104.02	109.76	118.84	150.58	127.21	145.77
World Ex. So. Af. (2147)	135.60	+0.4	131.74	106.29	111.75	122.42	+0.2	2.74	135.03	132.23	106.19	112.05	122.21	153.05	130.04	148.02
World Ex. Japan (1735)	155.07	+0.6	150.66	121.56	127.81	148.12	+0.4	3.32	154.11	150.91	121.20	127.90	147.53	165.40	151.93	155.33
The World Index (2207)	135.53	+0.4	131.68	106.24	111.69	122.67	+0.2	2.75	134.96	132.16	106.13	111.98	122.46	153.70	130.66	148.81

Constituent change with effect 12/11/92: Addition: Sophus Berendsen A (Denmark). Markets closed November 11: Belgium & France.